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American Hotel & Lodging Association
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To: **Honorable Representative Pat Widlitz**
Honorable Senator Eileen Daily
Finance Committee

From: **Chuck Moran, Legislative Chair for the Connecticut Lodging Association**

Date: **March 7, 2011**

Subject: **Raised SB Bill No. 1007 - AN ACT CONCERNING THE GOVERNOR'S RECOMMENDATIONS ON REVENUE.**

Good afternoon Senator Daily, Representative Widlitz and members of the Finance Committee. My name is Chuck Moran, I am Past President of the Connecticut Lodging Association and General Manager of the Courtyard by Marriott, Cromwell. The Connecticut Lodging Association is here to express our concerns regarding a significant increase in the hotel tax, as well as other increased tax rates as proposed in SB 1007 - An Act Concerning the Governor's Recommendations on Revenue.

This afternoon I would like to provide information to the Finance Committee regarding State Tourism Funding models used by other states that provides a leveraged approach to statewide tourism marketing initiatives.

As part of my testimony I am submitting a case study analysis on State Tourism Funding: Equity, Consensus and Accountability Models by Rich Harrill and Betsy Bender of the University of South Carolina, Department of Hotel, Restaurant, and Tourism Management, Columbia, SC. In the case study Harrill and Bender analyze in detail three tourism models, Equity, Consensus and Accountability. While we recognize that a straight increase to the current occupancy tax may seem the easiest way to increase revenue for the State of Connecticut, we would like to see the Finance Committee to evaluate the following models as alternatives:

- Equity Model: California Division of Tourism (CalTour)
  The California Tourism Marketing Act and Assessment Program was the first state in the nation to utilize industry elected assessments to partially fund tourism marketing activities. The new money generated by the assessment brought California's yearly marketing budget to approximately $12 million, elevating the state's tourism budget from 24th to 12th in the nation.

- Consensus Model: Visit Florida
  Visit Florida receives a portion of its operating budget from state government, funded by a designated share (15.75%) of the state's $2 per day rental car surcharge. The state mandated that the Visit Florida match public funding with private funds. Because of industry enthusiasm for the partnership, the mandated matched funding was reached 2.5 years ahead of schedule.

- Accountability Model: Missouri Division of Tourism
  The Missouri funding proposal is derived by tax revenue generated by specific businesses that serve travelers. Those businesses are indentified by Standard Industry Classification; in Missouri 17 SIC codes were identified. More than 300 industry representatives came to the capital in early 1993 legislative session to meet with their legislators to express their support for legislation. The plan is based on tax revenue generated by tourism related businesses by at least 3% annually. The Division of Tourism would receive half of any increase in tax revenue above the 3% level. The funds were to be used for tourism marketing and promotion could not exceed $3 million per year.

All three states demonstrated a high level of involvement of state tourism industry leaders during the development of funding models. These models evolved functionally suited to their own particular environments.

For the lodging industry to break even, 65% occupancy is the industry standard. Last year, 2010, the lodging industry only achieved 54.7% occupancy; in 2009, it was 51.2%. Consecutive years of operating losses have been catastrophic for the lodging industry. The perfect storm of a failing economy and the cessation of statewide tourism marketing has resulted in lost market share and reduced daily rates in addition to decreased occupancy.

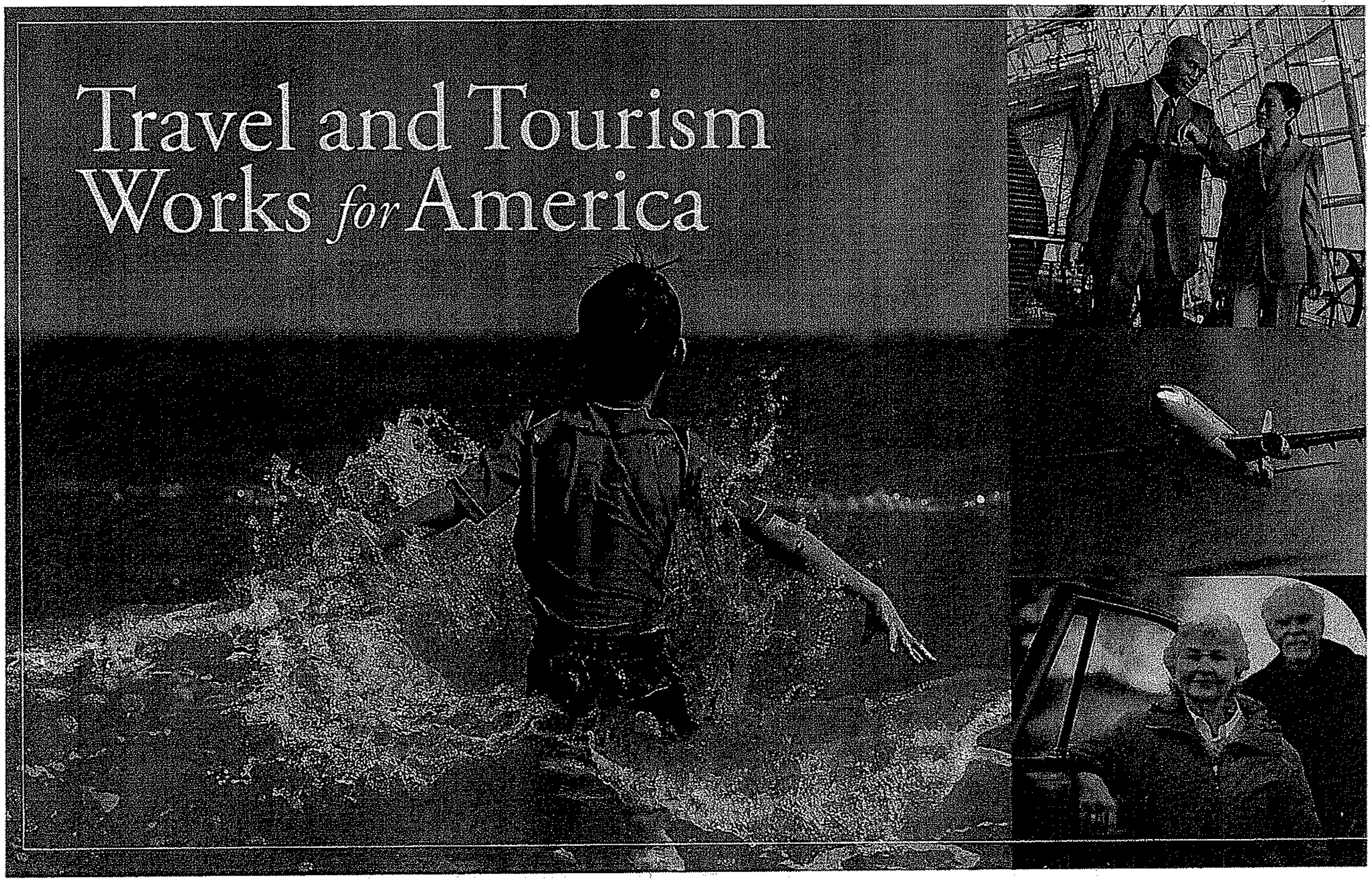
Besides the increase in the hotel occupancy tax, Connecticut Lodging Association members will also be impacted by a number of the other proposed tax increases, including the sales & use tax rate, gasoline tax, liquor tax increase, both on the wholesale purchases and consumer sales and the increase in cabaret tax. All of the tax increases will have a negative impact on visitor spending by both the business and leisure traveler.

I have also included for the committee's review 2 recent industry studies conducted by the US Travel Association, Travel and Tourism Works for America, June 2010 and The Economic Significance of Meetings to the US Economy, February 2011. Both of these studies demonstrate the significance of tourism industry to the US economy.

The Connecticut Lodging Association is eager to participate in discussions that would provide solutions to the challenges that face the lodging and hospitality industry.

Thank you for the opportunity to testify before the Finance Committee.

Travel and Tourism Works *for* America



A PUBLICATION OF THE **U.S. TRAVEL ASSOCIATION**

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TRAVEL AND TOURISM WORKS FOR AMERICA 2010-2011

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June 2010

The U.S. Travel Association is pleased to present the 17th edition of *Travel and Tourism Works for America*, a summary of how this vast and diverse industry benefits the American economy.

The prolonged recession has brought adjustments to practically everyone involved in travel. But through these challenges, we rallied as never before to build a case for why travel matters. It's a message that's gaining traction, from local town councils to Capitol Hill. We are now seeing a greater recognition for the power of travel to improve the lives of individuals and families, American businesses, and even the way the world views our country.

Many bright spots and industry "firsts" have emerged, despite the recent difficulties:

- **Travel Promotion** – New legislation created the first-ever national travel promotion and communications program, putting the U.S. on a path to welcoming millions of new visitors and creating thousands of American jobs;
- **National Export Initiative** – President Obama's challenge to double exports in the next five years called on inbound travel to help reach the goal;
- **Visa Waiver Program** – The recent addition of eight countries now permits 36 nations to travel short-term to the U.S. without a visa, spurring increased visitation from markets that account for two-thirds of all overseas travel to the U.S.;
- **Visa Facilitation** – Significant reductions in U.S. visa wait times have been achieved in key markets worldwide, and secure videoconferencing technology to conduct tourist visa interviews has been introduced;
- **Defense of Meeting, Event and Incentive Travel** – Rapid engagement by our industry successfully defended corporate meetings, events and incentive travel programs and defeated harmful legislation;
- **DiscoverAmerica.com** – Our successful collaborative agreement with the U.S. Department of Commerce created DiscoverAmerica.com, the official travel and tourism website of the United States.

U.S. Travel will continue building the case for travel in Washington and across the country. Long-term issues that have our focus include climate concerns and travel sustainability, protecting travelers from proposed increases in taxes, and advocating for a better travel process.

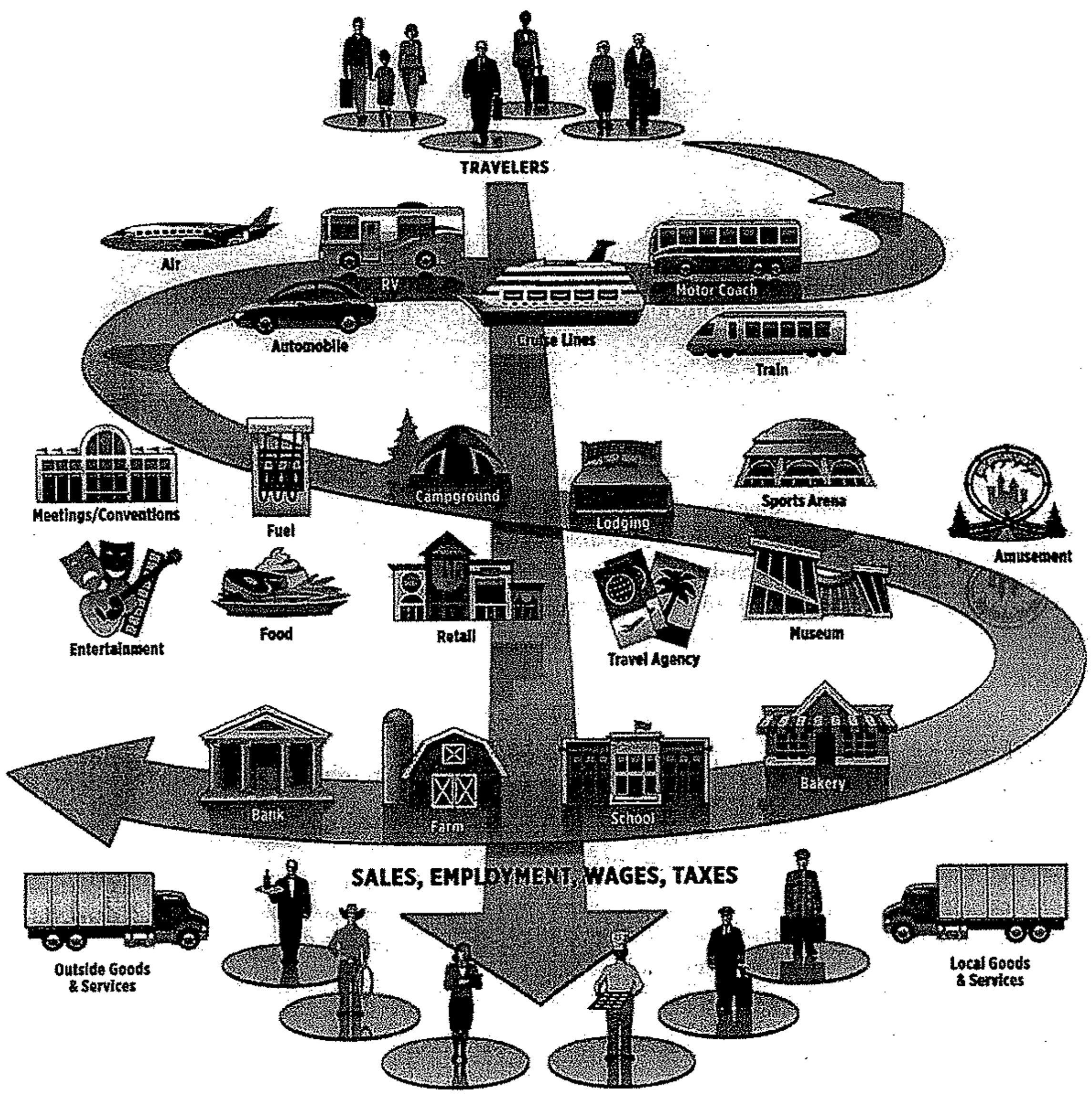
We are proud to be associated with you and to represent one of America's most significant industries.

Roger Dow

Roger Dow
President and Chief Executive Officer
U.S. Travel Association

THE POWER OF TRAVEL

How Travel Dollars Support America



Travel and Tourism Is...

One of America's Largest Industries

- **$704 billion** in direct spending by domestic and international travelers.
- **$1.7 trillion** in total direct, indirect and induced travel-related output.
- **$113 billion** in tax revenue for local, state and federal governments generated by direct travel expenditures.
- Each U.S. household would pay **$950** more in taxes without the tax revenue generated by the travel and tourism industry.
- Direct spending by resident and international travelers in the U.S. averaged **$1.9 billion** a day, **$80 million** an hour, **$1.3 million** a minute and **$22,300** a second.

One of America's Largest Services Exports

- **$121.1* billion** in travel exports and...
- **$99.1** billion** in travel imports create...
- **$22.0 billion** in balance of travel trade surplus for the United States.

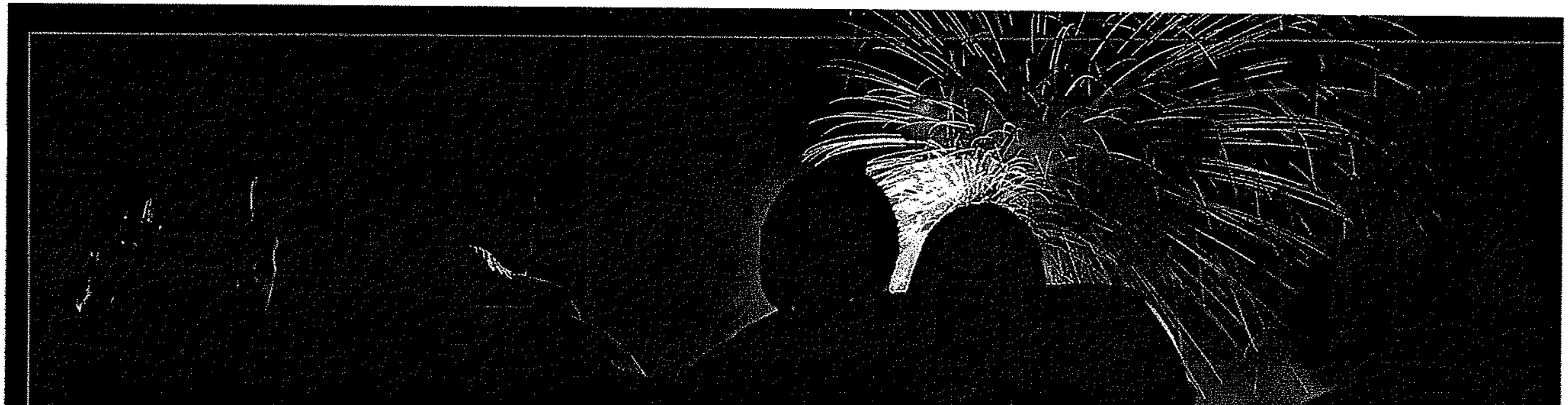
One of America's Largest Employers

- **7.4 million** direct travel-generated jobs.
- **$186 billion** in travel-generated payroll.
- **10.1 million** American workers are directly and indirectly employed by travel.
- **1 of every 9** U.S. non-farm jobs is created directly or indirectly or is induced by travel and tourism.
- Travel is among the **top 10 industries** in 48 states and the District of Columbia in terms of employment.

Note: 2009 data.

* *Includes traveler spending in the U.S. and international passenger fare payments to U.S. carriers.*

** *Includes U.S. residents' spending abroad and international passenger fares paid to foreign carriers.*



TRAVEL AND TOURISM IN THE AMERICAN ECONOMY

Travel and tourism works for America. It is crucial to the nation's economy. In terms of its output — the total value of all goods and services, including the ripple effect of industry-associated spending in businesses and communities nationwide — travel is responsible for about $1.7 trillion in 2009, dollars that employed 1 in every 9 Americans.

The Travel Economy

Defining "travel" as a sector of the American economy – much like manufacturing, health care or retail trade – is challenged by its own diversity. While airline, hotel and travel-planning service revenues are practically wholly supported by travelers, restaurants, retail shops and attractions are examples of establishments that serve both travelers and area residents.

The U.S. travel economy is comprised of spending on a diverse group of goods and services by domestic and international travelers, creating jobs and income for American workers, tax revenue for federal and local governments, and other forms of economic activity that contributes to total benefits derived from travel and tourism.

So, just how sizable is the travel industry?

Domestic and international travelers spent $704.4 billion in 2009 in direct expenditures in the U.S. (not including an estimated $27.3 billion in international spending on U.S. air carriers for transactions made outside of the United States). Though the latest spending figure is a decline of 8.9 percent over 2008, spending increases of about 5 and 9 percent are forecast in 2010 and 2011, respectively.

- Spending by domestic travelers (U.S. residents traveling within the United States) totaled $610.2 billion in 2009, 87 percent of all direct travel expenditures in the U.S.
- Spending by international visitors (including those from Canada and Mexico) totaled $94.2 billion in 2009 (excluding international airfare payments), 13 percent of the direct spending total.
- Overseas visitors – or, those traveling from regions outside of North America to the U.S. – spent $75.3 billion in 2009 (excluding spending on international passenger fares). This amount is included in the spending total by all international visitors ($94.2 billion).
- However, while overseas arrivals represented 43 percent of total U.S. international arrivals in 2009, these travelers accounted for 80 percent of total international receipts in the United States.
- The $94.2 billion accounted for 10.6 percent of the world's total international travel receipts projected to be $889 billion in 2009, according to U.N. World Tourism Organization estimates.

Falling travel prices and weakened consumer demand, a much more frugal consumer, restrictions in business travel and an overall depressed world economy all contributed to slowing travel expenditures in the U.S. in 2009 following five years of annual growth.

Travel and tourism accounted for 2.7 percent of the nation's gross domestic product (GDP) in 2008, according to U.S. Travel estimations of Bureau of Economic Analysis data.

Tax Receipts

Taxes resulting from direct travel expenditures generated $113.0 billion in revenue for local, state and federal governments in 2009, a source of revenue paid by travelers that reduces the tax burden that would otherwise fall on local residents for services such as public projects, travel infrastructure and tourism marketing.

- Of 2009's total, the federal government collected $62.8 billion, and state and local governments received $50.2 billion.
- In 2009, domestic travelers paid $99.2 billion in tax receipts and international travelers paid $13.8 billion.
- American households would pay an additional $950 in taxes annually if not for the revenue generated by travel and tourism.

Travel's Secondary Impact

Travel and tourism's total productivity – the value added of all goods and services produced – contributed $1.7 trillion to the nation's economy in 2009. The indirect and induced "secondary" benefits more than double the amount of direct travel spending in the U.S. ($704.4 billion).

Indirect sales occur when travel-related businesses (such as hotels) purchase goods (such as linens, bedding, electronics) and services (utilities, building maintenance, advertising) from local suppliers, thereby generating more economic benefits for the destination.

Induced impact occurs as employees of travel businesses and their suppliers spend part of their earnings in the area. This spending itself generates revenues above the indirect sales.

Employment and Payroll

Travel and tourism is one of the largest private employers in the United States, ranking in the top 10 industries in 48 states and the District of Columbia in terms of employment.

The U.S. travel industry ranks fifth in comparison to other major private industry sectors in the economy, according to U.S. Travel. In 2009, the top five were:

- Health care
- Retail
- Manufacturing
- Administrative
- Travel

Spending by travelers creates primary and secondary impacts that result in direct and indirect employment. Direct travel employment is associated with positions where travel services are directly provided. Indirect employment is generated by additional spending that occurs as travel-related businesses purchase goods and services from local suppliers. Additionally, induced employment results from spending by employees of travel-related businesses and their suppliers.

- 7.4 million American workers (including both full-time and seasonal/part-time positions) were directly employed in travel-related jobs. This accounted for 5.6 percent of total non-farm employment in the U.S.
- But, the number of travel-related jobs created directly and indirectly by the spending of domestic and international travelers equaled 10.1 million.
- Given the total employment picture created by this industry (direct, indirect and induced), 1 out of every 9 jobs in the U.S. depends on travel and tourism.

Broken down farther:

- Domestic travel (including leisure and business) accounts for 6.5 million direct jobs.
- International travel (including leisure and business) accounts for 883,600 direct jobs.

- Workers directly employed in the U.S. travel industry shared earnings totaling $186.3 billion.
- Payroll income generated by domestic and international travel spending comprised nearly 3 percent of total wage and salary disbursements of all industries and more than 1.5 percent of total U.S. residents' personal income.
- Spending by domestic and international travelers is expected to drive the addition of 90,000 new travel jobs in 2010, the result of modest increases in leisure and business travel. However, this follows a combined loss of about 400,000 travel jobs in 2008 and 2009, attributed to the difficulties surrounding the national and world recession. Travel and tourism is an industry uniquely poised to contribute to economic recovery by swiftly hiring new workers in response to improved market conditions.

Report on Leisure Travel

Domestic leisure travel held up better than business travel in 2009, but was still projected to have fallen 2 percent over 2008.

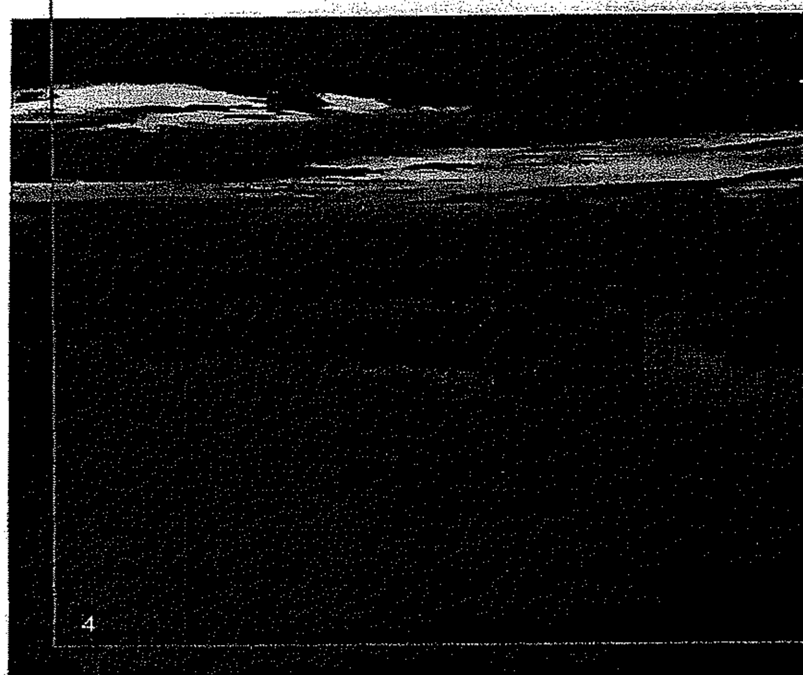
Three out of 4 domestic trips taken are for leisure purposes (76.5 percent), with nearly 1.5 billion person-trips* counted in 2009. These involved travel to visit friends and relatives as well as trips taken for outdoor recreation and entertainment purposes.

Of the $704.4 billion spent on travel in 2009, leisure travel accounted for 69.5 percent, or $489.7 billion (domestic = $424.1 billion; international = $65.6 billion), down 7.3 percent over the previous year.

More than 5.2 million direct American jobs (of the 7.4 million total) and $125.2 billion in payroll is linked to spending by leisure travelers.

TNS Travels America survey reports the following survey findings on U.S. domestic leisure travelers in 2009:

- Average size of household travel party: 2.1 people
- Composition of household travel party: 39% multiple adults; 28% adults with children; 34% solo travelers
- In-state/out-of-state trips: 45% travel within their state of residence; 55% travel out-of-state
- Mode of transportation: 82% by automobile; 10% by air; 8% other (TNS reports that 3% of leisure travelers used a rental car)
- Overnight stay/day trip: 77% of all leisure travel is one or more nights; 23% is day trip
- Average trip duration: 3 nights
- Lodging choice of overnight travelers: 49% in home of friends/relatives; 45% in hotel/motel/B&B; 7% campground
- When leisure travel most likely occurs: summer (33%); spring (25%); fall (24%); winter (18%)



TOP 10 LEISURE TRAVEL ACTIVITIES FOR U.S. DOMESTIC TRAVELERS (2009)

RANK	ACTIVITY
1	Visiting Relatives
2	Shopping
3	Visiting Friends
4	Rural Sightseeing
5	Beaches
6	Fine Dining
7	State/National Park
8	Urban Sightseeing
9	Historic Sites/Churches
10	Museums

Source: TNS Travels America

Report on Business Travel and Incentive Programs

In 2009, business travel became a victim not only of the recession but of other factors too (such as government and media attacks on meetings and events and government blacklisting of resort destinations), leading to declines of more than 6 percent in domestic business travel volume. A prolonged recovery is ahead as improvements set in.

Travel for business includes travel for internal meetings, trade shows, conferences, incentive programs and sales.

Business travel accounts for 22.7 percent of all U.S. domestic travel, with about 433 million person-trips* measured in 2009.

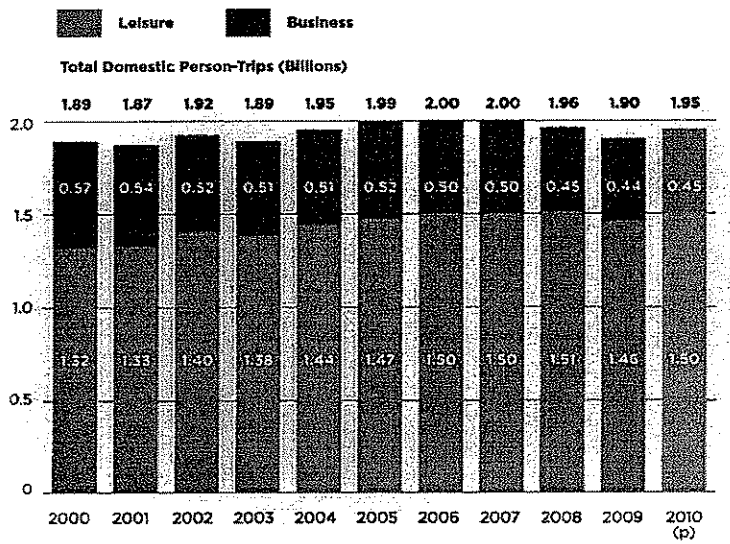
Of the $704.4 billion spent on travel in 2009, business travel overall accounted for 30.5 percent, or $214.7 billion (domestic = $186.1 billion; international = $28.6 billion), a loss of 12.2 percent over 2008.

Meetings and events accounted for $84.7 billion of all spending on business travel in 2009, down more than 14 percent over 2008. Meeting and events travelers in 2009 spent about $1,000 on average when they traveled, a decline of 4.4 percent over 2008. Spending on general business travel ($129.9 billion) provided the balance of business travel expenditures.

Of the 7.4 million workers directly employed by travel, more than 2.1 million jobs and $61.1 billion in payroll is connected to spending by business travelers.

DOMESTIC TRAVEL VOLUME

(Billions of Person-Trips)



Source: U.S. Travel Association
(p) projected

© Destination DC

TRAVEL RALLY DAY

In conjunction with National Travel and Tourism Week in 2009, travel workers from St. Louis to Seattle and from Albuquerque to Atlantic City staged the first-ever travel industry rallies to show the value of travel to local communities. In New Orleans, housekeepers, line cooks, servers, chefs, street performers and salespeople marched on Canal Street, alongside Mardi Gras Indians, parade floats and a high school marching band; theme park characters and employees gathered outside the Downtown Orlando Visitors Center to spread the word about the importance of that city's largest employer; and officials in Palm Springs introduced a local family whose livelihood depended on travel. The First Lady of Texas addressed media, hospitality workers, local government officials and tourism leaders at a Galveston Island rally, while a rally at Tampa International Airport featured appearances by the mayors of St. Petersburg and Clearwater. In all, more than 40 cities across the country participated to send a strong message to lawmakers, media and opinion leaders that travel matters. Travel Rally Day continued in 2010 with employees standing up to be counted among the country's 10.1 million travel workers at rallies and events in 40 cities nationwide.

THE ROI OF U.S. BUSINESS TRAVEL

During challenging economic times and in the face of corporate cutbacks, business travel is often viewed as expendable. But a September 2009 study from Oxford Economics quantified, for the first time ever, the dollar-for-dollar ROI of meetings, events and incentive travel.

In fact, the study *The Return on Investment of U.S. Business Travel* found that for every dollar invested in business travel, companies saw an average of $3.80 in profits and $12.50 in incremental revenue. Businesses that halted business travel suffered long-term consequences — the average U.S. company would lose 17 percent of its profits in the first year of cutting corporate travel and it would take more than three years for profits to recover. The study defined the value of investing in face-to-face meetings, development of human capital and tradeshow attendance, and proved these tactics to be vital business tools for business leaders. Find the study at USTravel.org.

TNS Travels America survey reports the following survey findings on U.S. domestic business travelers in 2009:

- Average size of household travel party: 1.3 people
- Composition of household travel party: 82% solo travelers; 13% multiple adults; 5% adults with children
- In-state/out-of-state trips: 38% travel within their state of residence; 62% travel out of state
- Mode of transportation: 51% by automobile; 31% by air; 18% other (TNS reports that 8% of business travelers used a rental car)
- Overnight stay/day trip: 76% of all business travel is one or more nights; 24% is day trip
- Average trip duration: 2.8 nights
- Lodging choice of overnight travelers: 90% in hotel/motel/B&B; 14% in home of friends/relatives; 10% other
- When business travel most likely occurs: spring (28%); fall (27%); summer (25%); winter (20%)

Travel is a core component of successful businesses. Face-to-face meetings create opportunities and help solve business problems. For every dollar invested in business travel, companies realize $12.50 in incremental revenue and $3.80 in profit, according to a 2009 Oxford Economics survey (see The ROI of U.S. Business Travel sidebar).

Incentive travel programs are a segment of business travel that creates a significant impact on employee morale, job satisfaction and performance. Travel is awarded either on the basis of performance or as a means of motivation, with executives stating that incentive programs yield returns in excess of $4 for every $1 invested, according to Oxford Economics. Executives surveyed said that in order to achieve the same effect of incentive travel, an employee's total base compensation would need to be increased by 8.5 percent.

**A "person-trip" is defined as one person on a trip away from home overnight in paid accommodations, or on a day or overnight trip to places 50 miles or more, one-way, away from home.*

Report on International/ Overseas Travel

Inbound Arrivals

International travel affects the United States in many positive ways. Not only is inbound travel one of the nation's most lucrative services exports (the amount spent by international travelers while in the United States, including passenger fares), it is a critical factor in American public diplomacy. In fact, research conducted by RT Strategies found that those who have visited the U.S. are 74 percent more likely to have a favorable opinion of the country.

"While international visitors to the U.S. account for about three percent of total U.S. travel, they represent as much as

13 percent of our travel-related spending," says Bruce Bommarito, executive vice president and chief operating officer of U.S. Travel. "This economic impact coupled with the abundant goodwill that results when people visit the U.S. underscores why inbound travel is so valuable to our country."

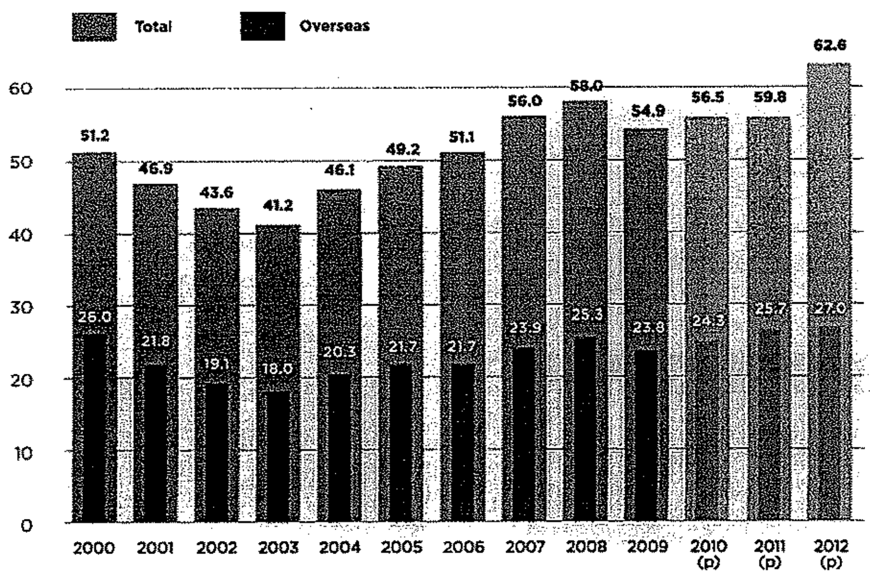
Visitors to the U.S. overall spend more than domestic travelers on their travels, on average $2,200 when they visit.

And travel and tourism is the largest services sector export of the entire U.S. economy. It accounts for 8 percent of all U.S. exports (and 25% of services sector exports) and continues to make an outsized contribution to growth in trade, according to the U.S. Department of Commerce.

In 2009, the United States was visited by 54.9 million international travelers, down 5.3 percent from the previous year. Declines are attributed to adverse effects of a troubled world economy and challenges in U.S. entry procedures facing inbound travelers. Growth is expected in 2010 (up 2.9%) and in each subsequent year through 2013.

Travelers from outside U.S. borders visiting for leisure and business purposes are frequently segmented into two groups: those from Canada and Mexico (the two largest generators of inbound travel) and long-haul travelers from overseas markets.

INTERNATIONAL ARRIVALS TO THE U.S.
(Millions of Arrivals)



Source: U.S. Department of Commerce-Office of Travel and Tourism Industries, Oxford Economics
(p) projected

Top Origin Markets for International Travel to the U.S. (2009/2000)

Rank Origin of Visitor	2000 (Thousands)	2009 (Thousands)	09/00 (% Change)
1. Canada	14,667	17,964	22%
2. Mexico	10,596	13,164	24%
3. United Kingdom	4,703	3,899	-17%
4. Japan	5,061	2,918	-42%
5. Germany	1,786	1,687	-6%
6. France	1,087	1,204	11%
7. Brazil	737	893	21%
8. Italy	612	753	23%
9. South Korea	662	744	12%
10. Australia	540	724	34%
Total Overseas Arrivals*	25,975	23,756	-9%
Total International Arrivals**	51,238	54,884	7%

Source: U.S. Department of Commerce-Office of Travel and Tourism Industries
* *Overseas total include visitors from all countries except Canada and Mexico.*
** *International travelers include all countries generating visitors to the U.S. for one night or longer.*

Canada/Mexico Travelers

Canada is the No. 1 source market for travel to the United States, accounting for 33 percent (18.0 million visitors) of all international travel to the U.S. in 2009. Visitors from Mexico are the second largest source of inbound travel, 24 percent of international travel in 2009 (13.2 million).

Visits from Canadian and Mexican travelers were a bright a spot in inbound travel over the past decade, up 23 percent

Impact of Travel on U.S. Economy

Travel Expenditures ($ billions)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Direct Expenditures	585.8	555.7	544.9	560.1	606.9	653.7	695.7	738.0	772.5	704.4
Domestic	503.4	483.8	478.3	495.8	532.4	572.0	610.0	641.3	662.4	610.2
International*	82.4	71.9	66.6	64.3	74.5	81.7	85.7	96.7	110.1	94.2

Source: U.S. Travel Association, U.S. Department of Commerce-Office of Travel and Tourism Industries

** Not including international passenger fares.*

Travel-Generated Employment (Thousands)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Direct Travel-Generated Employment	7,779.7	7,673.1	7,440.5	7,336.0	7,452.7	7,508.8	7,550.5	7,699.9	7,705.9	7,393.6
Domestic	6,788.4	6,728.6	6,561.6	6,521.2	6,569.3	6,613.9	6,657.0	6,728.5	6,709.2	6,510.0
International	991.3	944.5	878.9	814.8	883.4	894.9	893.5	971.4	996.8	883.6

Source: U.S. Travel Association, U.S. Department of Commerce-Office of Travel and Tourism Industries

Travel-Generated Payroll ($ billions)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Direct Travel-Generated Payroll	162.9	163.7	160.8	160.9	167.3	171.4	177.0	189.3	193.8	186.3
Domestic	141.5	142.8	141.2	142.4	146.9	150.4	155.4	164.6	167.8	162.9
International	21.4	20.9	19.6	18.4	20.4	21.0	21.6	24.7	26.1	23.5

Source: U.S. Travel Association, U.S. Department of Commerce-Office of Travel and Tourism Industries

Travel-Generated Tax Receipts ($ billions)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Direct Travel-Generated Tax Receipts	100.3	97.2	94.4	95.1	100.9	105.1	109.2	115.8	118.9	113.0
Domestic	86.9	85.3	83.5	84.8	89.2	92.8	96.7	101.7	103.3	99.2
International	13.4	11.9	10.9	10.3	11.7	12.3	12.6	14.1	15.6	13.8

Source: U.S. Travel Association

from 2000, or 5.9 million more North American visitors.

Visitors from these two countries had a combined average spending of about $790 on their U.S. trips (not including international passenger fares.)

Overseas Travelers

The overseas travel segment represented less than half of all international arrivals (43%) to the U.S. in 2009, yet accounted for 80 percent of total international traveler receipts in the United States. Overseas travel is also referred to as "long-haul," meaning it is international travel outside of a respective origin region.

Overseas visitors stay longer and spend more when they visit the United States than other travelers, on average more than 16 nights with spending in excess of $4,000.

This lucrative segment of the American travel economy has suffered losses in the face of surging global travel. While 46 million more international travelers took long-haul trips in 2009 than in 2000, the U.S. actually lost overseas visitors, welcoming 2.2 million fewer than in 2000.

Had the U.S. simply kept pace with the growth in worldwide, long-haul travel over the past decade, the nation could have realized 68 million more arrivals who would have contributed an additional $509 billion to the American economy and produced or sustained jobs for 441,000 U.S. workers, according to a report by U.S. Travel in conjunction with Oxford Economics.

The federal government is taking steps to reverse these declines. In March 2010, President Obama signed a law establishing a new national travel promotion program (the Travel Promotion Act) that is authorized to spend up to $200 million a year – more than any other country in the world – to promote America abroad, better communicate U.S. entry and security policies, and "level the playing field" in the face of intense competition for world travelers.

Other steps, such as refining the visa issuance process, supporting and growing the Visa Waiver Program, expanding the Global Entry program, and improving the entry process at the country's top 20 international airports, are helping to send a message that international visitors are welcomed in the United States.

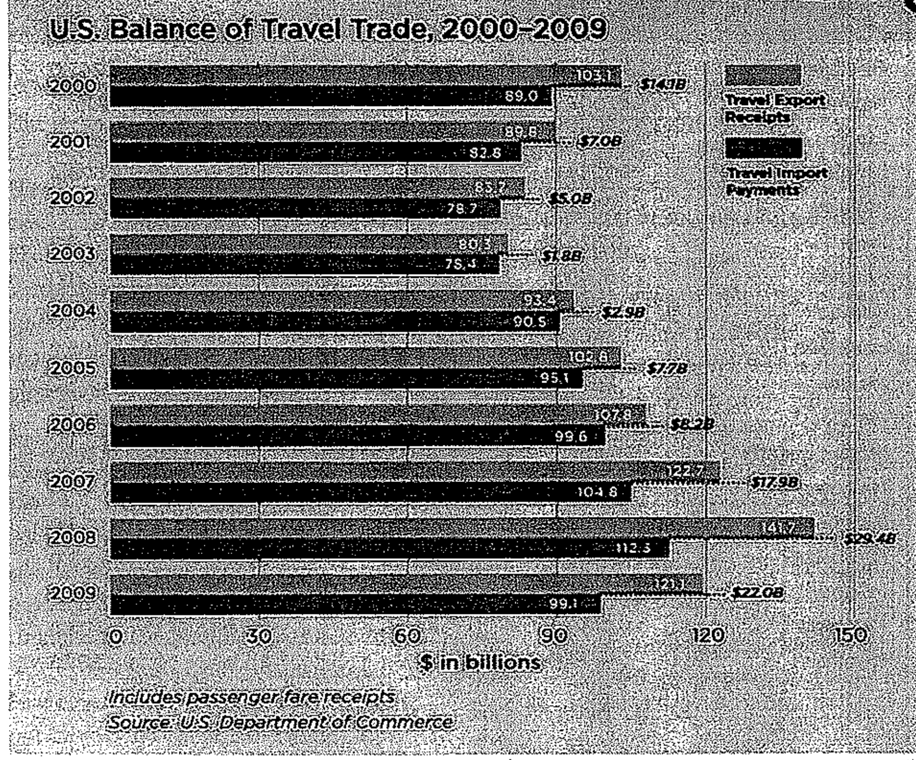
Balance of Travel Trade

International visitation is the country's largest services export. However, seeing international travel and tourism as an export may be confusing, as many would characterize it as "importing" travelers from abroad. Because the U.S. is the recipient of spending by residents of other countries, it's considered an export – travelers from abroad purchase travel-related goods and services (i.e., flights on U.S. air carriers, hotel stays, rental cars, shopping, dining and visits to attractions) from U.S. sellers, and their expenditures enter the nation's economy.

Money spent here on travel products and services by international travelers exceeds the amount spent by U.S. residents when they travel abroad, creating a positive balance of travel trade for the United States. In 2009 that surplus totaled $22.0 billion, according to estimates by the U.S. Department of Commerce.

Increasing travel exports is a priority cited by President Obama in his call for a National Export Initiative.

PowerofTravel.org:
Looking for an overview of the impact of travel on the U.S. economy? Go to *www.PowerofTravel.org* to find the number of jobs travel creates for American workers broken down by state and by all 435 Congressional districts, plus data on domestic and international travel spending and travel-generated tax receipts and payroll.



DIRECT IMPACT OF TRAVEL ON STATE ECONOMIES (2008)
(Including the Impact Generated by Domestic and International Travel to the U.S.)

State	Travel Expenditures ($ Millions)	Travel-Generated Employment (Thousands)	Travel-Generated Payroll ($ Millions)	Travel-Generated Tax Receipts ($ Millions)
Alabama	7,723.5	1,335.9	79.4	894.4
Alaska	2,135.6	812.4	27.3	344.1
Arizona	15,033.4	4,201.5	156.2	2,176.1
Arkansas	5,713.6	1,091.8	62.4	753.4
California	99,362.0	23,324.0	858.8	14,943.0
Colorado	14,568.1	3,610.5	148.6	2,568.0
Connecticut	9,289.6	1,724.4	64.7	1,389.5
Delaware	1,516.5	376.8	15.9	210.2
District of Columbia	8,349.3	1,858.3	62.6	1,303.4
Florida	70,521.6	18,994.5	757.1	10,506.5
Georgia	20,865.4	6,933.6	241.5	4,242.0
Hawaii	15,903.8	4,318.1	148.3	2,151.8
Idaho	3,498.0	495.1	26.0	499.7
Illinois	30,714.0	8,606.4	305.1	5,526.4
Indiana	9,222.4	1,998.5	99.9	1,267.1
Iowa	6,576.9	1,151.6	66.8	789.8
Kansas	5,721.6	1,033.9	58.1	721.0
Kentucky	7,694.6	1,777.3	89.7	1,051.5
Louisiana	9,642.7	1,943.0	105.1	1,185.8
Maine	2,865.1	570.3	31.4	345.2
Maryland	12,532.3	3,430.5	117.8	2,498.8
Massachusetts	15,455.2	3,653.2	128.9	2,381.2
Michigan	15,966.9	3,566.9	149.0	2,477.1
Minnesota	10,856.5	4,150.8	141.2	3,063.8
Mississippi	6,329.3	1,867.3	86.5	1,018.0
Missouri	12,318.5	2,895.2	125.6	1,837.7
Montana	3,134.0	485.5	29.4	306.8
Nebraska	4,010.1	796.1	44.9	587.5
Nevada	34,067.0	11,355.7	452.0	4,272.6
New Hampshire	3,569.9	501.4	24.4	315.6
New Jersey	19,447.2	5,613.5	203.0	3,323.2
New Mexico	6,016.8	1,126.1	57.9	764.8
New York	54,000.7	13,420.6	423.0	10,022.8
North Carolina	17,474.8	4,358.6	198.6	2,763.8
North Dakota	1,925.4	344.8	23.4	345.8
Ohio	16,385.6	3,556.0	168.8	2,522.8
Oklahoma	6,250.8	1,794.2	77.8	971.1
Oregon	8,174.7	1,752.3	81.4	1,083.2
Pennsylvania	21,586.6	5,193.3	214.8	3,050.0
Rhode Island	1,854.6	318.7	14.1	233.7
South Carolina	10,561.0	2,137.5	121.9	1,586.7
South Dakota	2,300.0	390.9	26.8	262.8
Tennessee	14,395.5	3,270.9	148.4	2,384.2
Texas	50,874.1	15,412.9	573.7	8,273.2
Utah	6,178.0	1,924.1	76.6	1,055.5
Vermont	1,889.0	395.8	20.1	236.5
Virginia	19,720.6	4,536.4	216.3	2,611.4
Washington	12,438.7	2,792.5	108.9	1,897.1
West Virginia	2,532.2	534.9	29.2	347.1
Wisconsin	9,663.7	2,201.3	115.6	1,494.8
Wyoming	2,732.2	515.7	30.7	294.1
U.S. TOTAL*	772,915.0	194,100.7	7,719.4	118,918.9

Note: International travelers' spending does not include international passenger fares paid to the U.S. carriers, nor international travelers' spending in the U.S. territories, nor Canadian and Mexican spending not allocated to states. Therefore, the sum of all 50 states and Washington, DC is not equal to the U.S. total.

REPORT ON INDUSTRY SEGMENTS

As noted, the travel and tourism industry is comprised of numerous segments in which only a portion of total revenue is attributable to travelers (with the balance paid by residents), making it impossible to simply add reported segment data and determine the travel economy's overall size. The following information, though, broadly demonstrates the importance of key segments to the overall industry.

"Consumers and their behavior drive demand," says Dr. Suzanne Cook, senior vice president of research at U.S. Travel. "Our quarterly *travelhorizons*™ survey measures travelers' attitudes, as well as their leisure and business travel intentions over the next six months. Recent survey results reveal rising confidence in the financial ability to travel but increasing concerns about gasoline and other travel costs. Travel deals and special offers are likely to remain critical to stimulating travel demand in the near term."

Automobile

While travel by automobile remains the primary mode of transportation for all domestic travel (79%, according to TNS Travels America), travelers have responded to higher fuel prices of recent years by modifying travel patterns and driving less.

Rural arterial vehicle miles – a measure of non-local highway traffic measured by the Federal Highway Administration – grew into positive territory in mid-2009 over 2008, averaging about 20 billion miles of travel per month, with spikes occurring in June, July and August.

Rising crude oil prices are expected to contribute to an increase in the average regular-grade gasoline retail price, so driving trips may continue to be challenged in 2010 and beyond.

Car rentals play a key role for travelers. *Auto Rental News* reports that 1.6 million rental cars were in service at more than 16,000 rental car locations nationwide in 2009. Revenue from rental cars was estimated at $20.5 billion in 2009, down 4.8 percent over 2008.

On a daily basis, U.S. airlines operate nearly 26,000 flights in 80 countries, using more than 6,000 aircraft to carry an average of two million passengers.

Source: Air Transport Association of America

Airlines

The airline industry's extreme volatility – a response to global reductions in air travel demand, fluctuating jet fuel prices and other expenses, and flight security challenges – is easing somewhat as the world grows out of recession. Further improvements are aided by industry management of capacity and better alignment of prices with costs.

In 2009, global airlines suffered their worst-ever fall in passenger demand (-3.5%), according to the International Air Transport Association. The number of scheduled passengers (i.e., revenue passenger enplanements) on U.S. airlines dropped to 703.9 million in 2009, down 5.3 percent from 2008 (and at 2004 levels), according to the Bureau of Transportation Statistics (BTS). Domestic and international passengers on U.S. airlines declined by 5.2 percent and 6.3 percent, respectively. Traffic declined sharply for the first half of that year, only to recover slowly in the latter half, reflecting a turnaround in the U.S. economy.

BTS data further reveals that U.S. planes were flying with more passengers per flight in 2009 than in any previous year as a result of scheduled capacity cuts. The airline industry reached record-high passenger load factors (the ratio of total revenue passenger miles traveled to total available seat miles), with system and domestic load factors at 80.4 percent and 81.1 percent respectively.

Total revenue passenger miles (RPMs) in 2009, including both domestic and international travel, also fell 5.3 percent from 2008, reaching 769.5 billion.

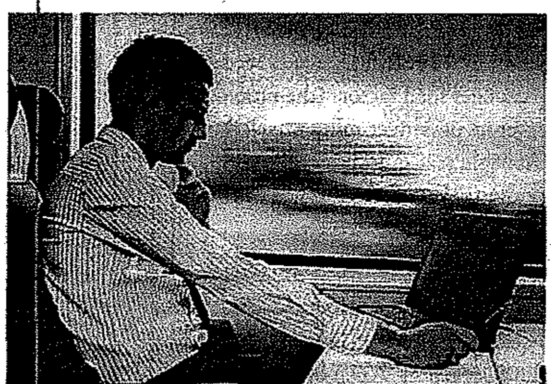
Domestic travelers used airlines for approximately 12 percent of all trips taken in the U.S. in 2009 (down marginally from 2008), according to TNS Travels America.

BTS reports that approximately 386,000 American workers were employed full time by U.S. scheduled passenger airlines in 2009, down 3.3 percent over 2008.

Trains

As travelers continue to seek alternatives to flying and driving, rail travel is experiencing a renaissance. Amtrak, the nation's intercity passenger rail operator, has been the beneficiary of this transition and has seen a long-term trend of rising ridership, from 21.7 million in FY 2002 to 27.2 million in FY 2009 (the second-best year in the company's history).

An average of more than 74,000 passengers ride on more than 300 Amtrak trains per day. Amtrak operates a nationwide rail network that serves more than 500 destinations in 46 states on 21,000 miles of routes. The corporation employs nearly 18,000 workers.

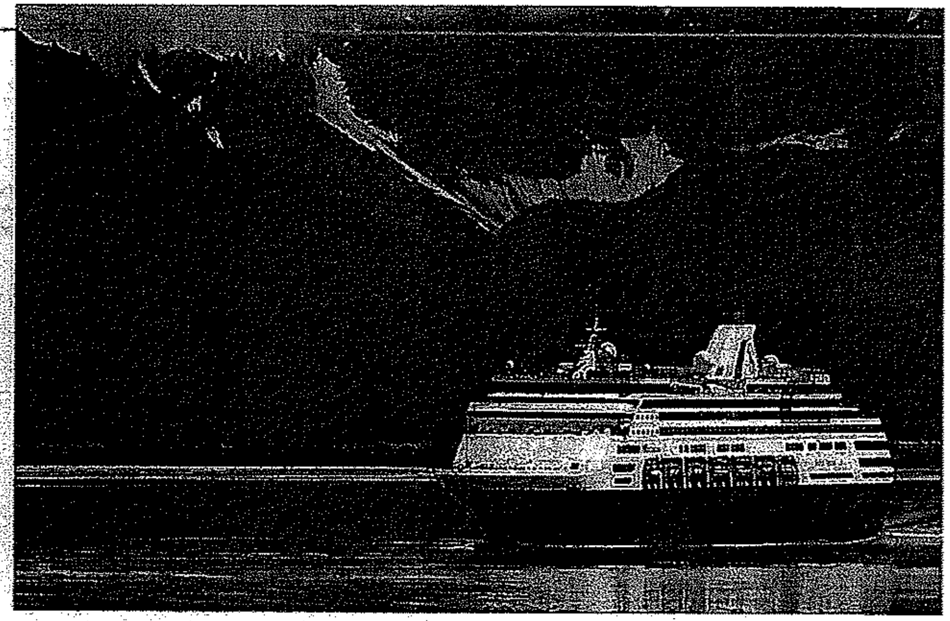


Amtrak's most popular route, the Boston-New York-Washington portion of the Northeast Corridor, carried 9.9 million passengers in FY 2009 on Acela Express, Regional Service or other trains. Three other corridors had ridership in excess of one million: Pacific Surfliner Service (San Diego-Los Angeles-San Luis Obispo), Capitol Corridor Service (San Jose-Oakland-Sacramento-Auburn) and the Keystone Corridor Service (Harrisburg-Philadelphia-New York City).

In January 2010 President Obama announced an historic federal investment in intercity passenger rail, and the Amtrak national route network is a significant beneficiary. Approximately $4.5 billion of the $8 billion awarded in grants are for state projects that support improvements to current or future Amtrak routes.

Cruise Lines

Despite the industrywide challenges, cruise vacations appeared recession resistant, sailing at full capacity throughout 2009 and adding impressive new vessels to the marketplace. At the heart of its positive performance is the perceived value of cruising, according to the Cruise Lines International Association (CLIA), which represents 25 member cruise lines.



In 2009, 13.4 million people cruised on CLIA-member ships, up from 13.1 million in 2008. A projected 14.3 million will sail in 2010 (up 6.4%). The fleet of CLIA-member lines sailed at an average occupancy of 104.4 percent in 2009, with an average length of cruise of 7.2 days.

More than three-quarters (76.5%) of cruise passengers are residents of the U.S. and Canada, with 23.5 percent sourced internationally. The number of international passengers has increased dramatically, offsetting slow growth in the North American market and doubling since 2003.

According to CLIA, spending on goods and services by cruise lines and their passengers totaled $19.07 billion in 2008, up 2 percent over 2007. This sector of the industry creates employment for 357,710 people nationwide who shared wages of approximately $16.2 billion.

Fourteen new ships were introduced in 2009, ranging in capacity from 101 passengers to 5,400 passengers. An additional 12 new vessels are expected in 2010. New ships reflect the diversity of ships and experiences available. CLIA member lines have 26 new ships on order between 2010 and 2012.

An estimated 8.96 million passengers embarked on their cruises at U.S. ports in 2008, accounting for 68 percent of global embarkations. Florida's ports handled approximately 5.1 million embarkations (57% of U.S. total), followed by ports in California, New York, Texas and Washington.

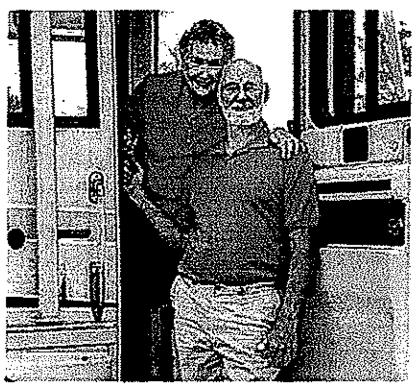
Recreation Vehicles

Rising RV shipments and improved employment in RV manufacturing is pointing to recovery for this industry segment, according to the Recreation Vehicle Industry Association (RVIA).

RV shipments are expected to grow 30 percent in 2010 to 215,900 units, up from 165,700 in 2009. Dealers report more optimism about RV sales after reaching a low point in shipments in Q1 2009.

In 2009, there were more than 12,000 RV-related businesses in the U.S. with combined annual revenues in excess of $37 billion. Total RV industry employment equaled more than a quarter million Americans who shared wages of approximately $4.9 billion, according to a 2007 analysis of Census Bureau data by RVIA.

Reports by RVIA of strong attendance at RV retail shows nationwide in 2009 are an indication that shoppers are eager to see offers from dealers and exhibitors. RV products available in the current marketplace are smaller, lighter, and more aerodynamic and fuel-efficient than previous models.



RV travelers may select from a range of facilities to suit their lifestyle. More than 16,000 public and privately owned campgrounds are available, from outdoor recreational areas popular for hiking, fishing, rafting and other activities to a growing number of luxury RV resorts with golf and health spa amenities.

The number of RV-owning households in the U.S. is projected to rise to nearly 8.5 million by 2010.

Hotels

The U.S. lodging industry faced sharp declines in 2009, called "the worst in the modern hotel industry" by Mark Lomanno, president of STR, as demand and rates tumbled while the pipeline added new inventory in the marketplace.

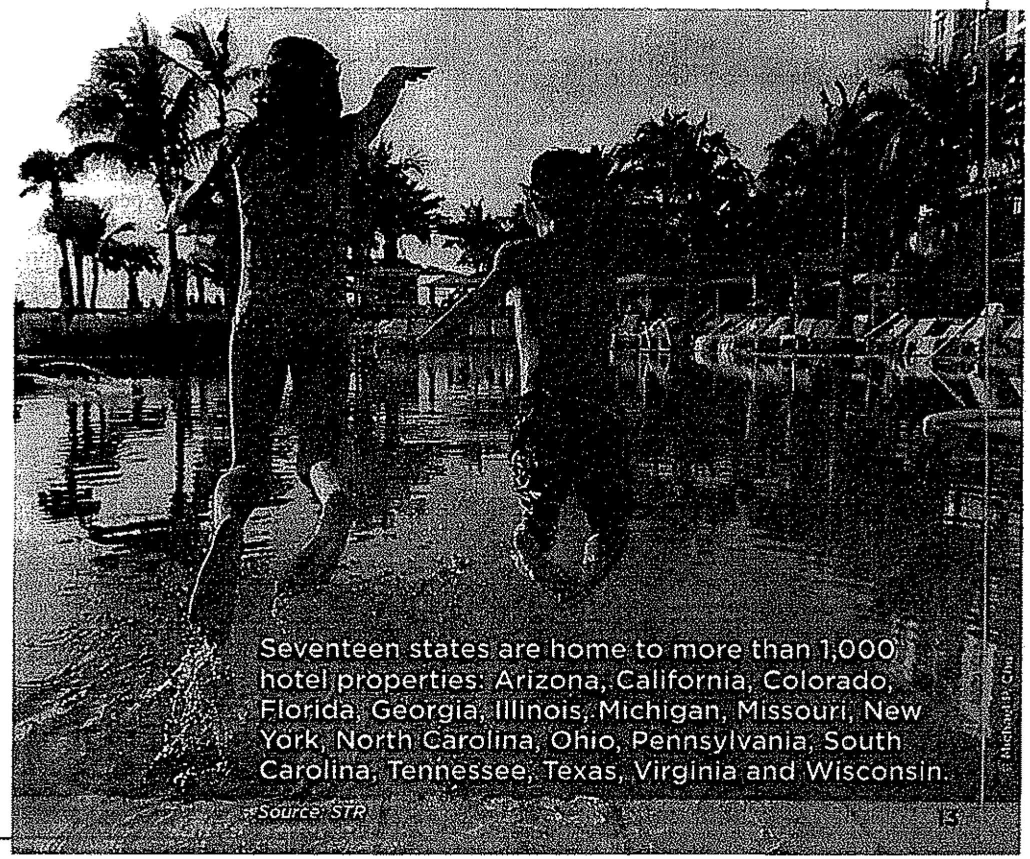
For 2009, STR reports the following results in key hotel performance indicators (over 2008):

- Supply: Up 3.2%
- Demand: Down 5.8%
- Occupancy: Down 8.6%, closing the year at 55.1%
- Average Daily Rate (ADR): Down 8.8%, at $97.51 (the lowest since 2005)
- Revenue Per Available Room (RevPAR): Down 16.7%, averaging $53.71

As 2009 closed, none of the top 25 markets reported year-end increases in occupancy, ADR or RevPAR.

Numbers are showing meaningful improvement for 2010, with increases of 4.1 percent expected in demand and 2.2 percent in supply. Occupancy is projected to increase 1.9 percent (to 55.8%). ADR will decrease 2.3 percent (to $95.45) as will RevPAR, dropping 0.5 percent to $53.22. Slower growth is anticipated in 2011.

STR reports a total 51,181 hotel properties in the U.S., housing more than 4.8 million rooms (as of January 2010).

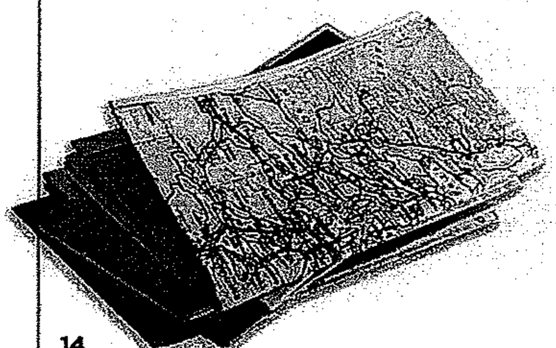


Vacation Timeshares

The vacation timeshare industry, represented by the American Resort Development Association (ARDA), has also shown resiliency through this difficult period. While this segment's growth – typically measured by number of resorts/units added, sales volume and number of intervals sold – was flat in 2009, it has shown positive growth throughout its 40-year history, including at an annualized rate of 2 percent over the past decade.

According to data provided by the ARDA International Foundation, sales of traditional timeshare products (the majority of all sales) reached $9.7 billion in 2008. Timeshare owners continue to enjoy their pre-paid timeshare vacations, with an 82 percent resort occupancy rate in 2008 and 86 percent product approval rate.

A reported 1,629 timeshare resorts were in operation in 47 states in 2008, with units totaling 182,121. Florida, California, South Carolina and Hawaii are each home to 100 or more resorts (45% of all U.S. volume). This segment created total employment for nearly 600,000 (in 2007), workers who shared wages of about $25 billion.



An average party of 3.4 people stay more than 7 nights per trip in timeshare resort areas. Average spending per owner is $1,870 per trip.

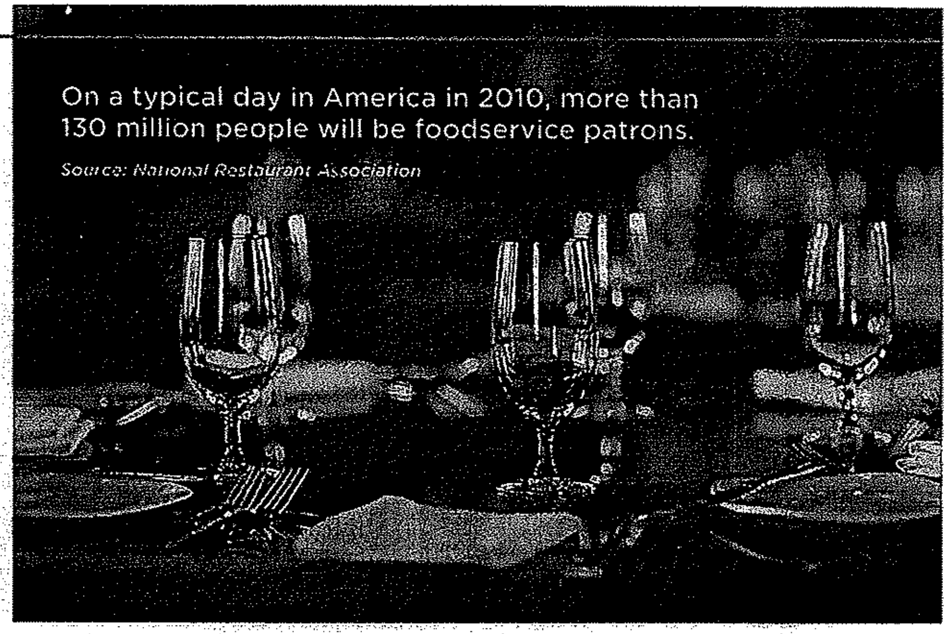
At year end 2008, 6 percent of U.S. households owned a timeshare interest.

Foodservice/Dining

In spite of the challenging economy, the large and diverse foodservice industry – composed primarily of restaurants – is projecting sales growth of 2.5 percent in 2010 to $580 billion. The National Restaurant Association reports this industry's relative strength (compared to other retail industries) is driven by consumers' desire for convenience, value and socialization, factors that sustain it even during economic uncertainty.

About 20 percent of restaurant sales are attributable to travel and tourism, and foodservice is the largest travel expenditure category. In 2009, the price of food and beverage away from home rose 3.4 percent from 2008, according to U.S. Travel's Travel Price Index.

Eating and drinking places are extremely labor intensive, making the restaurant industry one of the nation's largest private-sector employers. A projected 12.7 million workers – 9 percent of the U.S. workforce – will hold jobs in this industry in 2010. Nearly half of all adults have worked in the restaurant industry at some point in their lives, according to the National Restaurant Association.



There are an estimated 945,000 restaurant locations in the United States, unchanged from 2008 and 2009.

Arts/Entertainment/Recreation

The wide-ranging "attractions" segment represents categories such as theme parks, historic sites, museums, parks, zoos and aquariums, cultural and entertainment, and sightseeing excursions, among others. It is difficult to measure such a broad and diverse group of businesses and organizations, though the best estimate is that, overall, the attractions industry ended 2008 up 0.3 percent, according to a 2009 report by Herschend Family Entertainment.

Published reports throughout the industry further indicate that water parks, botanical gardens and science museums all hammered out increases, while theme parks, museums, zoos and "on and off Broadway" shows were all flat or down slightly.

A 2009 study on cultural and heritage tourism by Mandala Research for the U.S. Cultural and Heritage Tourism Marketing Council found that about 8 in 10 (or 78%) of approximately 118.3 million U.S. leisure travelers participated in cultural and heritage activities on at least one of their leisure trips in the past year. Annual spending by cultural and/or heritage travelers is estimated at $192.3 billion annually, according to the report, with about half of travelers' average trip expenditures spent on activities, dining and shopping.

The Mandala study found that among the types of activities these leisure travelers participated in over the past 3 years were historic sites, buildings and tours (28%), museums (25%) and festivals (20%).

In 2009, 1.91 million workers were employed in the U.S. entertainment and recreation industry, down 2.8 percent over 2008, according to the Bureau of Labor Statistics.

Further segment overviews:

- **National parks:** About 285 million Americans and international travelers visited national parks and other units of the National Park System (NPS) in 2009, a 3.9 percent increase that marked the fifth busiest year ever for the parks. The system supports more than 223,000 jobs and nearly $14 billion in economic activity across the country, according to NPS.
- **Theme parks:** U.S. theme parks attracted about 340 million visitors in 2008, producing direct spending of more than $12 billion, according to PricewaterhouseCoopers' *Global Entertainment and Media Outlook: 2008–2012*. Lower priced, closer-to-home regional parks have fared better than destination parks that were hit harder by the recession. There are more than 400 amusement parks and traditional attractions in the U.S., according to the International Association of Amusement Parks and Attractions.
- **Museums:** According to the American Association of Museums (AAM), there are nearly 850 million visits per year at an estimated 17,500 U.S. museums. AAM reports that museums rank among the top three family vacation destinations. Museums employ as many as half a million American workers, according to an AAM analysis.

Casino Gaming

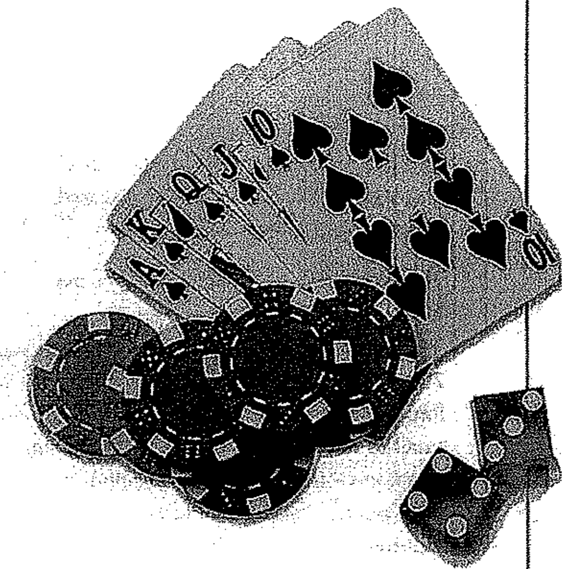
Diminished spending among consumers on travel and leisure that resulted from the recession led to a decline in gross gaming revenues for the second consecutive year. According to the American Gaming Association (AGA), nationwide revenues at commercial casinos (i.e., non-tribal, land-based, riverboat and dockside casinos) fell to $30.74 billion in 2009 – a 5.5 percent decline compared with 2008's figures.

Despite tough times, commercial casinos continue to be important generators of tax revenues and jobs in communities where they operate. In 2009, commercial casinos returned nearly $5.59 billion to states and communities in the form of direct gaming taxes and employed 328,377 people who earned $13.1 billion in wages, benefits and tips.

Nevada leads all states in number of workers employed by gaming (at more than 177,000 in 2009). New Jersey, Mississippi, Louisiana and Indiana round out the top five states in terms of employment. The AGA reports there were 443 commercial gaming establishments in 13 states in 2009.

Further, Indian gaming provides 237 tribes with economic benefits from 442 tribal government gaming locations in 28 states. The National Indian Gaming Association reported Indian gaming generated gross revenue of $26.2 billion in 2009, providing primary employment to 283,000 reservation Indians and their non-Indian neighbors.

More than one-quarter (28%) of the U.S. adult population visited commercial casinos in 2008, according to a national survey conducted by VP Communications, Inc. and Peter D. Hart for the AGA. These visitors enjoyed more than gaming, as resorts' non-gaming amenities continue to expand. During their casino visits, three-quarter (75%) of survey respondents ate at a fine dining restaurant, three out of five (60%) saw a show, concert or other live entertainment, and almost half (48%) visited a bar or night club, according to the 2010 survey.



Travel Planning/Arrangement

Travel agencies, tour operators and other travel arrangement and reservation services comprise the travel planning and arrangement sector.

Travel agencies: Travel agencies sold more than $146 billion, including spending on air, hotels, cruises, tours and rental cars, in 2008 to corporate and leisure travelers, according to the American Society of Travel Agents (ASTA). The U.S. Census Bureau estimates that 15,666 agencies were located in the U.S. (2007), employing 122,517 people who shared wages of about $6.5 million.

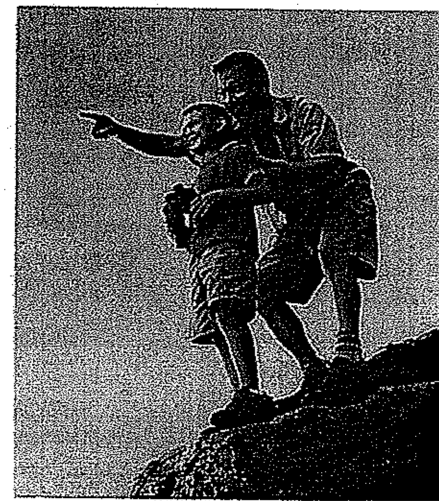
The percentage of home-based agencies has boomed in recent years, growing 312 percent in 2010 compared to 2003. ASTA's Agency Business Trends Report (November 2009) found many small to mid-sized agencies either moving to a home-based model or considering it for financial savings. Overall, retail locations have seen a larger drop than office locations, suggesting that mostly retail-oriented agencies are adopting the home-based model.

The sales mix for agencies also continues to shift. Agencies predict that the average percentage share of airline sales will drop 29 percent in 2010 compared to 2002 and car rental sales will decrease (–20%) during the same period. In contrast, hotels (+23%), cruises (+18%) and tour packages (+6%) all project strong increases in percentage share of sales in 2010 over 2002, according to ASTA.

International sales by ASTA agents have been on the rise annually since 2004 and agencies expect to sell more international travel than domestic travel in 2010 (55% of their sales compared to 45%).

Tour operators: Packaged travel and tours combine two or more travel components into a product that is created, assembled, promoted and sold as a package by a tour operator for an all-inclusive price. It is a segment represented by the National Tour Association (NTA), which has a membership including 700 tour companies worldwide.

Tour operators serving the domestic and inbound markets have met the challenges of a tumultuous period by diversifying their products to meet the changing demands of an increasing number of boomer travelers, younger travelers and independent travelers, in addition to the traditional 60 and older senior market. On average, seniors represent 43 percent of the NTA tour operator's customer



base. Baby boomers represent one-quarter (25%) of this customer base, while 22 percent are students and the remaining 10 percent are young adults ages 22-38.

The diverse range of tour products offered by NTA operators includes learning/educational packages, cultural packages, holiday-themed tours and national parks tours. Examples of niche or special interest products include voluntourism packages, women-only tours, adventure travel and wine tasting tours.

While more than 8 in 10 (81%) NTA tour operators offer group tours, nearly 4 in 10 (39%) also offer FITs or independent packages. More than one-quarter (27%) of NTA tour operators reported overall sales of more than $5 million in 2009.

Seventy-seven percent of NTA tour operators offer tours within North America, and nearly half (44%) said their company packages travel into North America from abroad. For NTA operators, the top countries for inbound travel are (in order) China, England, Germany, France, Hong Kong, Italy, Australia, Ireland, Scotland and Japan.

Although England and Germany are a close second and third, NTA reports that, among its own members, China now outranks all other long-haul markets for NTA tour operated-assisted inbound travel. NTA credits the growth from China for NTA operators to its newly formed NTA China Inbound Program, an initiative to facilitate Chinese group leisure travel to the United States. More than 160 tour operators affiliated with the NTA China Inbound Program are approved to facilitate inbound group leisure travel from this emerging market.

Overall growth of Chinese travelers to the U.S. was given a big boost with the signing of a Memorandum of Understanding in December 2007 between the U.S. and Chinese governments, which permits Chinese travel agencies to work with U.S. companies to organize and market packaged group leisure tours to the U.S. (and allows U.S. travel destinations to market their brands in China).

ONLINE TRENDS

More than 93 million American adults used the Internet to plan their travel in 2009, an increase of 3 million since 2007, according to *Travelers' Use of the Internet*, a report published by U.S. Travel in conjunction with Temple University. Online travelers report becoming increasingly more comfortable and confident in their skills navigating the Internet.

Seventy-six million online travel planners booked their trips on the Internet, and almost half of them spent $1,000 or more on travel services or products per year.

The most prevalent tools used for online travel planning included online travel agency websites, search engines, company websites and destination websites.

Online travelers consider the Internet their dominant source for travel information (although "previous experience" and "word-of-mouth" also ranked highly as sources), while fewer than 1 in 5 online travel planners reported using guidebooks, brochures, or magazines and newspapers. Most consider the Internet a very useful or essential tool for planning accommodations, routes, attractions to visit and other activities, according to the report.

U.S. TRAVEL ASSOCIATION

TRAVEL AND TOURISM WORKS FOR AMERICA 2010–2011

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This report documents historical and current (calendar year 2009) information on the travel and tourism industry that includes travel volume, global trends, industry segment information and information detailing the impact of the travel and tourism industry on the U.S. economy. Forecasts for later years are included in some tables where data are available. Data from a variety of sources related to travel and tourism in the United States are also included in this report to illustrate the breadth and interconnectedness of the industry; however, sources speak on behalf of themselves and questions related to data supplied to U.S. Travel for this report should be directed to the original source.

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The Economic Significance of Meetings to the U.S. Economy

Study Findings At-a-Glance

The Meetings Industry's Direct Contributions to the U.S. Economy:

1.8M corporate and business meetings, trade shows, conventions, congresses, incentive events and other meetings take place in the U.S., resulting in:

- **$263B** in spending
- **1.7M** U.S. jobs
- **$106B** contribution to GDP
- **$14.3B** federal tax revenue
- **$11.3B** state and local tax revenue
- **$60B** in U.S. labor income

Total Economic Output of the Meetings Industry *including direct spending and multiplier effects (indirect/suppliers and induced/other attendee spending):*

- **$907B** in total U.S. economic activity
- **6.3M** U.S. jobs
- **$458B** contribution to GDP
- **$64B** federal tax revenue
- **$46B** state and local tax revenue
- **$271B** in labor income

Meetings Industry Volume, Lodging and Attendees:

- 205M attendees participate in the nation's 1.8M conventions, conferences, congresses, trade shows and exhibitions, incentive events and corporate/business meetings
- Of the 1.8M meetings, 1.3M are classified as corporate or business meetings
- 85% of meetings are conducted at venues with lodging
- The 1.8M meetings generate 250M room nights/overnight stays
- Of the 205M attendees, 117M are domestic attendees who travel more than 50 miles or stay overnight, 83M travel less than 50 miles or do not stay overnight and 5M are international travelers
- Of the 205M attendees, 162M are delegates, 18M are exhibitors and 25M are others, including event organizers, staff, press, etc.

Direct Spending Breakdown:

- The meetings industry contributes $263B in direct spending to the U.S. economy
- Of the $263B, $151B is meeting planning and production related
- Of the $263B, $113B is travel and tourism related
- The $113B in travel and tourism spending is 16% of the $708B Travel & Tourism sector in the U.S.
- Delegates, exhibitors and other attendees spend $145B on attendance-related items, the majority (46%) on registration fees, accommodations (17%) and food and beverage (13%). Other industries supported include air transportation (9%), retail (3%), gasoline (3%), entertainment/recreation (3%), car rental (3%) and urban transit (1%)

GDP Contributions Breakdown:

- The meetings industry's direct contributions to GDP are $106B
- Meetings' $106 billion contribution to the U.S. GDP is greater than, for example, auto manufacturing ($78B), performing arts/spectator sports/museums ($71B) and information and data processing services ($76B)
- Combined direct, indirect and induced effects of the meeting industry to GDP total $458B

Employment and Labor Income Breakdown:

- 1.7M U.S. jobs are directly supported by the meetings industry
- $60B in U.S. labor income is directly generated by the meetings industry
- Direct employment contributed is more than, for example, broadcasting and telecommunications (1.3M), truck and rail transportation industries (1.5M) and computer systems design and related services (1.4M)
- Direct employment supports the meetings industry (organizers, venues), as well as tourism industries such as food and beverage, accommodation, transportation, recreation/entertainment, retail, travel services and more
- Combined direct, indirect and induced effects of the meeting industry support 6.3M U.S. jobs
- Combined direct, indirect and induced effects of the meetings industry result in $271B in U.S. labor income

Federal and State/Local Tax Revenue Breakdown:

- $14.3B in federal tax revenue is directly generate by the meetings industry
- Combined direct, indirect and induced effects of the meetings industry result in $64B in federal tax revenue
- $11.3B in state and local tax revenue is directly generated by the meetings industry
- Combined direct, indirect and induced effects of the meetings industry result in $46B in state and local tax revenue

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STATE TOURISM FUNDING: EQUITY, CONSENSUS, AND ACCOUNTABILITY MODELS

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This article uses narrative, case study analysis to investigate three major alternative models to state tourism funding that emerged in the 1990s. Although many academics and researchers are familiar with these models, few know the specifics of how they arose, how they work, and their implications for the tourism industry. The alternative models reviewed in this article include industry self-assessment (CalTour), public–private partnership (Visit Florida), tourism-related tax revenues (Missouri Division of Tourism), and an attempted hybrid model (Rhode Island Tourism Advisory Council). Based on these models, the article suggests new hybrid models will appear based on the best characteristics of the initial models: equity, consensus, and accountability, respectively. Given the dearth of academic study tourism funding, the article concludes with suggestions for future research.

Key words: Tourism funding; Tourism organization; Tourism models; State tourism

State Tourism Funding: Major Alternative Models

Few topics illustrate the gulf that occasionally exists between academics and practitioners better than tourism funding. For practitioners, the search for funding is both challenging and perpetual. Nearly all other functions of a tourism organization or agency—marketing, research, and product development—depend upon a steady revenue stream. Despite impressive impact and return-on-investment (ROI) data, state and local tourism budgets began to shrink in the early 1990s (McDowell, 1993) and took a near-fatal blow after the September 11th terrorist attacks. In reaction, tourism organizations both public and nonprofit began to adopt private sector business practices emphasizing external accountability, internal evaluation, and political advocacy. At the same time, these organizations began to explore diverse funding sources to augment dwindling government appropriations.

State tourism agencies, in particular, have been hard hit by changing economic fortunes. According to the Travel and Tourism Industry of America (TIA, 2005), from 2000 to 2005 the average state tourism budget decreased 3.1%. TIA also reported that public sector funds are the primary source of

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all state tourism funding, and are the sole source of 32 of 47 states surveyed in 2005. Of the $602.7 million combined project budget for that year, public sector funds represented 94.3%, or $568,103,423. According to TIA, of the 14 states whose public sector funding is augmented by private sector funds, public sector funds represent 81.1% of the combined total budget for these states ($113,995,344 of $140,476,255). The percentage of public sector funds from these states ranges from 99.4% to 42.6% of their total budgets. For many state tourism professionals, these data suggest a funding crisis of decreasing support for state tourism promotion.

Conversely, many conservative political and community leaders have long seen an overdependency of state tourism offices on public coffers. For example, in 1993, Colorado state funding for tourism decreased sharply as voters repealed the 0.2% tourism tax. While the tax was collected, the Colorado Tourism Board operated under a $12 million budget. In 1997, the state legislature allocated $2.6 million to the agency. The next year, the legislature allocated only $1 million, barely enough to keep the organization functional (Harrill, 2005).

A 1999 study conducted by Longwoods International found that Colorado lost at least $2.1 billion per year in potential revenue from 1992 when promotional funding was discontinued until it was reinstated in 1999, for a total loss of $14.7 billion. The study concluded that an investment of $5 million for tourism promotion would boost tourism spending in the state by $250 million, which would generate a total of $13.8 million in additional state and local tax revenue (Longwoods International, 2002). In the wake of the Colorado episode, national industry efforts were renewed to speak with "one voice" to government, media, and the public. During this time, some states, sensing the "handwriting on the wall," began to seek funding alternatives (O'Halloran, 1998).

Profiling three innovative state responses to decreasing appropriations, this article describes attempts to achieve equity, consensus, and accountability, respectively. State organizations profiled include the California Division of Tourism (Cal Tour), VisitFlorida, and the Missouri Division of Tourism. Efforts by the Rhode Island Tourism Development Council to create a hybrid tourism funding model are also examined. Although many tourism researchers and practitioners know of these organizations and are vaguely familiar with their funding mechanism, few know how such models arose, how they work, and how they influence the tourism industry. The purpose of this article is to provide a narrative, case study analysis of these funding models, establishing the basis for future funding research at the state and local levels.

Funding Research

Despite the growing debate over the appropriate mix of public and private sector funds in support of state tourism, there is little research specifically related to this topic. Bonham and Mak (1996) debated public-versus-private-sector funding for state tourism promotion, coming down on the side of industry self-assessment. Williams and Cartee (2001) called for better methodologies for measuring state tourism funding and economic benefits. This call was taken up by Swanson and Lewis (2003), who developed a model for measuring the connection between tourism policy and economic results. Despite effective modeling, comparing state tourism programs and products may always invoke an "apples and oranges" contrast.

Several studies have examined the larger issue of the role of government and state organizations in the governance, planning, and administration of tourism (Akehurst, Bland, & Nevin, 1993; Burns, 2004; Kerr, Barron, & Wood, 2001; Lennon & Seaton, 1998; Pearce, 1996; Wilson, Fesenmaier, Fesenmaier, & Van Es,, 2001; Van Sickle & Eagles, 1998). Whether exploring at the macro- or microeconomic level, these articles share an examination of the strengths and weaknesses associated with public, private, and nonprofit tourism funding.

At the local level, aquariums, museums, convention centers, or minor league baseball parks are often the objects of a municipality's tourism dreams as a means of increasing revenues as traditional industries relocate elsewhere. Research at the local level continues to grow as local officials seek validation for their projects (Rosenburg & Larkin, 2002), while academics question the economic impact or feasibility of such projects (Crompton, 1995, 2004; Crompton, Howard, & Var, 2003). As suggested by Crompton (2004), other methodologies may be necessary to evaluate the civic boosterism or psychological income accruing to residents from these projects in absence of substantial economic benefits.

Although this article addresses funding models in the US, the question of balance in public and private sector funding is global. Numerous studies have examined tourism funding in the international community (Akehurst et al., 1993; Andriotis, 2002; Bodlender, 1982; Lennon & Seaton, 1998; Pearce, 1996; Van Sickle & Eagles, 1998). Although many practitioners in the US clamor for more public funding, the international research suggests problems associated with full government support of the tourism sector, including the politicization of tourism assets and attractions that often results in inadequate planning and distribution of resources.

Equity Model: California Division of Tourism (CalTour)

The California Division of Tourism (CalTour), an office of the California Business, Transportation, and Housing Agency, promotes travel to and within California and works with the state's travel industry to maintain California as a primary destination for travelers. CalTour also provides tourism information and services to the state's travel trade and news media.

CalTour develops California's annual marketing plan that is reviewed and approved by the California Travel and Tourism Commission, composed of tourism industry professionals. Several industry committees advise CalTour on the formulation and execution of the plan, including those concerning advertising and promotion, international and domestic travel trade, publicity, rural marketing, and multicultural research.

To promote California, CalTour utilizes various tools, including national and international advertising, state-organized travel trade sales missions, familiarization (FAM) tours, and heightened California presence at major trade shows. It has representatives in Japan, the UK, Germany, and Mexico. It also funds cooperative marketing campaigns and promotions, publicity, press trips, and media relations; production of California visitor guides, maps, travel trade guides, and regional brochures; toll-free visitor information; and programs designed to increase visitation to lesser known California destinations (California Division of Tourism [CalTour], 2006b).

According to Director of Communications Fred Sater, the Division of Tourism (CalTour) began as the Office of Tourism, an office of the governor, during the 1970s and has continued to evolve (F. Sater, personal communication, January, 2002). However, as occurred in many states, California's tourism marketing efforts were hampered by lack of a permanent funding source. Numerous attempts to convince the state legislature to allocate money for a competitive state tourism program were made by travel businesses and associations over the years. During former Governor Jerry Brown's administration, the state tourism program was actually eliminated and, according to Sater, letters from people who wrote to California for travel information were returned unanswered for a short time.

During the 1980s and 1990s, the state tourism budget became a political football, and it was increased or cut by the legislative leadership to gain leverage with the governor on programs the legislature favored.

In 1993, California's tourism budget was stabilized, and the legislature has consistently funded at about \$7 million since then. During this time, the industry-influenced program was implemented, and the consistently funded program resulted in the recovery of travel and tourism in the state, according to Sater.

Also in 1993, then-Governor Pete Wilson established a body of 40 travel industry professionals to resolve the funding dilemma. He directed a task force to find a new, nontax solution to financing statewide tourism marketing. Called the Governor's Task Force on Tourism Funding, this group studied the problem, how other states finance tourism promotion, and various incentive solutions. The task force concluded that the best model for California was found in the state's agricultural industry, which utilizes mandatory self-assessment of industry partners to finance agricultural marketing efforts.

In the past, numerous funding proposals arose.

In 1990, former Assemblywoman Maxine Waters proposed a $2 per room hotel tax, and the state legislature proposed a statewide tourism tax. The $2 per room hotel tax was opposed by the state hotel industry as excessive and directed against one industry segment for the benefit of all tourism industry segments. Hotel and motel interests also believed that the proposed tax was redundant to the Transient Occupancy Tax, a regressive tax against the least expensive accommodations and not capable of being dedicated to tourism promotion. Not perceived by the industry as fair, the Waters proposal did not pass.

The statewide tourism tax was broadly opposed by all segments of the tourism industry as being excessive and unusable for tourism program. Because the California Tourism Marketing Act was under consideration at this time, the statewide tax was not brought forward. In the end, according to Sater, mandatory financial self-assessment from industry players was the only funding methodology supported by the travel industry, the legislature, and the governor.

The California Tourism Marketing Act, adopted in 1995, authorized a referendum of California businesses that benefit from tourism spending. The referendum passed in October 1997, establishing the California Travel and Tourism Commission and a statewide marketing fund derived from mandatory assessments.

Passage of the referendum made California the first state in the nation to utilize industry-elected assessments to partially fund tourism marketing activities. The measure passed by a 69% to 31% margin within the state's $58 billion tourism industry. The new money generated by the assessment brought California's yearly marketing budget to approximately $12 million, elevating the state's tourism budget from 24th to 12th in the nation (CalTour, 2006a).

According to the division, these additional funds, managed by the California Travel and Tourism Commission, substantially increased California's promotional presence in international markets, increased promotional support in rural areas, stimulated retail sales by travelers, and met the growing demand for informational materials from people planning California vacations.

As detailed in The California Tourism Marketing Act and Assessment Program (CalTour, 2006c), the rate of assessment—the same for large and small businesses—is $450 per $1 million of tourism revenue, accounting for $0.90 for each $2,000 in travel-generated sales. Businesses can also pay a maximum $250,000 assessment if they do not want to disclose revenues. Only business locations that benefit directly from travel and tourism are subject to the assessment, but all businesses receiving a Tourism Assessment Form are required to complete and return it to determine whether they must pay an assessment fee for the current year. The Tourism Marketing Act states that business may pass fees along to consumers. Specific exemptions include the following:

- Public bodies, defined as a public entity or a corporation where a majority of the corporation's board of directors is appointed by a public official or public entity, or serves on the corporation's board of directors by virtue of being elected to public office, or both.
- Business locations not in an industry segment, including accommodations, restaurants and retail, attractions and recreation, and transportation and travel services.
- Business locations where less than 8% of the California gross receipts for the business is "travel and tourism revenue." Travel and tourism revenue is defined as gross receipts derived from expenditures to and/or within California as defined by people who travel at least 50 miles from home, for purposes other than commuting for work or school; or have an overnight accommodation as part of the travel, regardless of the distance or purpose traveled.
- The business is a travel agency or tour operator that receives less than 20% of its California gross receipts from travel and tourism.
- The business is a regular route intrastate and interstate bus service, which does not derive any revenue from a bus service that requires authority from a certificate of public convenience and necessity, or a permit to operate as a charter-party carrier of passengers.
- The calculations on the Tourism Assessment Form show that the travel and tourism assessment would be less than $50 for the business location.

This funding model has positively affected the state's cooperative advertising campaigns (Cal Tour, 2006c). By leveraging the purchasing power of the state's $7 million tourism budget, CalTour raised approximately $15 million in additional cooperative partner funds in 1998 to globally promote travel to California. Cooperative funding was developed from private and other governmental sources in every major category of CalTour's program. However, the program still faces challenges. For example, the California legislature votes every 2 years to maintain the program and to keep the Travel and Tourism Commission intact, so the division and its partners must regularly lobby to sustain operations.

The Tourism Marketing Act has been deemed fair and equitable throughout the state because all businesses pay the same assessment per $1 million in revenue. Also, all regions of the state and all business categories are represented on the commission. Industry categories, such as accommodations, elect their own commissioners relative to their financial contribution. In addition, marketing plan development requires public input and review from tourism and nontourism parties. Thus, each business has the opportunity to directly influence how it feels state tourism marketing plans should be structured.

Consensus Model: Visit Florida

In 2005, Florida attracted 85.8 million visitors, generating $3.7 in total tourism and recreation taxable sales collections; $14.5 billion in hotels and lodging; $26.5 billion in restaurants; and $7.4 billion in admissions, including attractions. That year, tourism accounted for 948,700 jobs and $15.4 billion in annual tourism-related payroll (Visit Florida, 2006c).

The state's primary tourism marketing entity, Visit Florida, is a public–private partnership between the Florida Commission on Tourism and the state of Florida. It is the mission of the Florida Commission on Tourism, through Visit Florida, to increase the state's competitive edge through marketing, sales, product development, and visitor services. Created in 1996, Visit Florida promotes the state worldwide under the FLA USA brand.

Based on its long experience with tourism marketing, the state of Florida and Visit Florida offer a case study of funding tourism through public–private partnership. This collaboration is both a dependable source of tourism funding and the strengthening of the tourism industry statewide. The partnership includes players both large and small, from public, private, and nonprofit sectors, contributing voluntary membership fees used for state tourism promotion.

As related by former Visit Florida CEO Austin Mott (personal communication, January, 2002) during the 1970s industry leaders and the Florida Division of Tourism endeavored to develop the state's tourism industry, despite lack of funding and coordination among various interests. At this time, there was a growing concern that the industry should play a greater role in funding its own tourism marketing. This concern led to initial discussions about forming a

public–private partnership, and the discussions continued through the 1980s. The government agency responsible for tourism at the time, the Division of Tourism, continued to return to the state legislature each year for funding, as is common among many states today. Because government monies for tourism would fluctuate annually, the industry had no dedicated source for responding to changes in the tourism industry or planning for the industry's future.

In the 1990s, Governor Lawton Chiles created the Florida Commission on Tourism, composed of 17 regions with a commissioner for each region. The commission's primary goal was to develop a state tourism marketing program. However, despite a common goal, each region tended to work autonomously, creating an atmosphere in which lobbyists labored at cross-purposes. In sum, according to Mott, there was no "unified front," an aspect required to effectively market the state's tourism assets.

To fulfill its legislative mandate, the commission created the Florida Industry Marketing Corporation (FTIMC) in 1996, which today is called Visit Florida. The corporation's primary funding vehicle is partnership fees—voluntary membership fees from which partners receive services from Visit Florida.

Visit Florida receives a portion of its operating budget from state government, funded by a designated share (15.75%) of the state's $2 per-day rental car surcharge. In 2000, that state allocation alone totaled $21.6 million. However, the state also mandated that Visit Florida match public funding with private funds by June 30, 2001. Those private funds come from several sources, including direct investment by industry partners, strategic alliances, cooperative business advertising venues, promotion media, and merchandising the FLA USA brand. Because of industry enthusiasm for the partnership, that mandated matched funding was reached 2.5 years ahead of schedule, in early 1999 (Visit Florida, 2006a).

In return for their financial support, partners receive several membership services. In the publicity arena, Visit Florida publishes an *Official Florida Vacation Guide* in which partners receive a free listing. The organization also publishes an *Official Florida Meeting Planners Guide*, which is the state's most complete resource for the meetings market. The *Official Florida Travel Industry Guide* is distributed throughout the US to thousands of travel professionals. In addition, the *Florida International Travel Planner* is the state's official resource for international travel agents, tour operators, and wholesalers abroad (Visit Florida, 2006b).

Because Visit Florida was created as a partnership, one primary measure of success can be found in the growing number of partners. Since its inception, the corporation has grown from 407 partners to more than 3,500 (Visit Florida, 2006a). Partners, ranging in size from kayak to canoe rental firms to the Disney Corporation, are solicited at travel sales events and through Visit Florida representatives contacting local convention and visitor bureaus and chamber of commerce.

In contrast to the California model, the Visit Florida model is perhaps slightly more appealing to emerging tourism organizations because of its emphasis on industry consensus and shared fiscal responsibility between the public and private sectors.

Accountability Model: Missouri Division of Tourism

Tourism ranks as one of the most important revenue- and job-producing industries in Missouri. According to the Missouri Division of Tourism, the industry has had an economic impact of about $4.8 billion during the last 5 years. For every $1 Missouri spent on marketing tourism, $55 was returned in tourism expenditures over that period. In addition, there were $8.5 billion in sales from 17 tourism-related standard industrial classification (SIC) codes

in 2005, up more than 4.3% from 2004. The state's sales tax from those 17 tourism-related codes totaled $361 million in 2005. Tourism-related industries employed 284,916 Missourians. Finally, Missouri counties collected approximately $176 million in local property taxes during 2004 from lodging and entertainment businesses, including restaurants (Missouri Division of Tourism, 2005).

However, it is the state's approach to tourism funding that had earned it considerable recognition nationwide. In contrast to Visit Florida's public–private partnership and CalTour's self-assessment, Missouri presents yet another option: funding directly accrued from visitor spending in tourism sectors, such as food and beverage, lodging, and entertainment.

The General Assembly recognized the importance of tourism more than three decades ago with the establishment of the Missouri Tourism Commission in 1967. According to division spokesperson Debra Lee (personal communication, January, 2003), the first grassroots program promoting the Missouri tourism industry was created in 1975. The campaign was designed to unite the state's tourism industry, build awareness of tourism's impact, and market the state as a tourist destination. This effort began with Impact 80s, a grassroots initiative implemented by the tourism industry in the mid-1980s to gain recognition in the legislature of the economic impact and benefits tourism contributes to the state. Tourism T.E.A.M. (Team Effort Advancing Missouri) evolved from Impact 80s and established a speakers' bureau as well as special promotions for marketing the state. These entities carried the message about tourism's impact on Missouri, leading the way to increased funding for the state's tourism office. In addition, the Marketing 2000 Committee was created to address strategic planning and special issues that would affect the future of Missouri's tourism industry. This grassroots effort was crucial to the development of the legislative funding formula, as noted by Lee.

According to the Missouri Division of Tourism (2006), Missouri's tourism funding mechanism was created in 1993 by House Bill (HB) 188. The funding system, which took effect on July 1, 1994, increased the division's budget from $6 million in 1993 to $14.8 million in 1999.

After years of searching for a dependable revenue source to fund the division's efforts, the Missouri travel industry united in 1993 behind HB 188. This legislation set aside a percentage of tourism-generated tax revenue for more tourism promotion, and it required no tax increases.

The plan was developed by the Missouri Tourism 2001 Funding Committee—an industry group with representatives from the Missouri Hotel & Lodging Association, the Missouri Restaurant Association, the Missouri Travel Council, the Travel Federation of Missouri, and the Missouri Association of Convention & Visitors Bureaus.

To maximize tourism's benefits, the industry group concluded that Missouri needed a reliable source of funding for tourism promotion at a level that would enable the state to compete effectively in the global tourism market.

The funding proposal called for working with the state Department of Revenue to identify tax revenue generated by specific businesses that serve travelers. Businesses in the following 17 Standard Industry Classifications (SICs) were chosen:

- 5811: Eating Places Only
- 5812: Eating and Drinking Places
- 5813: Drinking Places"Alcoholic Beverages
- 7010: Hotels, Motels, and Tourist Courts
- 7020: Rooming and Boarding Houses
- 7030: Camps and Trailer Parks
- 7033: Trailer Parks and Campsites
- 7041: Organization Hotels and Lodging Houses
- 7920: Producers, Orchestras, Entertainers
- 7940: Commercial Sports
- 7990: Miscellaneous Amusements and Recreation
- 7991: Boat and Canoe Rentals
- 7992: Public Golf Courses and Swimming Pools
- 7996: Amusement Parks
- 7998: Tourist Attractions
- 7999: Amusement NEC
- 8420: Botanical and Zoological Gardens

The plan was based on the conservative assumption that tax revenue generated by tourism-related businesses would grow by at least 3% annually—a rate considered "normal" growth. The Division of Tourism would receive half of any increase in tax revenue above the 3% level. The money, to be used for tourism marketing and promotion, could not exceed $3 million per year.

As funding from the growth in tax revenue came in, the division's budget could be increased by as much as $3 million per year over the previous year's level.

The measure also called for the division's existing funding from general revenue to be eliminated gradually at a rate of 10% per year. At the end of 10 years, the division would be entirely funded from this new tax revenue source.

More than 300 industry representatives came to the capital early in the 1993 legislative session to talk with their legislators. They made it clear that the plan in HB 188 was developed by the travel industry and had its full backing. They also explained how much in terms of dollars tourism means to residents statewide. Subsequently, HB 188 was approved by a wide margin—30 to 4 in the Senate and 145 to 11 in the House. The bill was signed into law on July 7, 1993, and the Tourism Supplement Revenue Fund (TSRF) was born (Missouri Division of Tourism, 2006).

Since the TSRF took effect, the division's budget increased from slightly more than $6 million per year to over $16 million in 2002. The innovative funding concept put Missouri in the national spotlight. The successful campaign to pass HB 188 earned the Travel Industry Association of America's Odyssey Award for Tourism Awareness for the Missouri Division of Tourism in 1993.

In 1998 and 2002, the General Assembly passed legislation to enhance the original state law. One of the outcomes was to extend the sunset clause through June 2010.

Despite concerns that the Missouri model is especially vulnerable to economic downturns, the notion of performance-based tourism funding is gaining popularity, usually in combination with the Florida and California models.

Consensus-Accountability Hybrid Model: Rhode Island Tourism Development Advisory Council

The Rhode Island case study illustrates an attempted hybridization of the Florida and Missouri models. Although eventually unsuccessful, the case demonstrates some of the political and economic arguments for and against state tourism reorganization with funding as key issue.

The Rhode Island Tourism Advisory Council was established in 2003 by Governor Donald Carcieri for the purposes of analyzing the state's tourism system and providing recommendations to increase the efficiency and productivity of the tourism industry for the greater benefit of Rhode Island's citizens.

The council held 13 public meetings between July 15 and October 28, 2003. The process involved budget analyses for organizations receiving state tourism dollars, testimony from each of the eight tourism regions and the state Division of Tourism, in-depth reports examining transportation, lodging, and restaurants; and commentary from two independent external experts in state tourism planning and development (Rhode Island Tourism Development Council, 2003).

The council reached a key conclusion: systemic change—including some consolidation of marketing and administration—was required to better plan and execute an efficient and productive strategic direction for Rhode Island tourism. During the course of this inquiry, the council studied two funding models: the Florida model, based on public–private partnership, and the Missouri model, based on the growth in sales tax revenues.

In March 2003, industry groups met independently to discuss furthering tourism promotion in the state. In May, the governor appointed 18 tourism industry leaders to the Rhode Island Tourism Development Advisory Council for the purpose of identifying greater efficiency and productivity within the state's tourism industry.

In July, the first meeting of the council was held at the state capitol to demonstrate the statewide approach to tourism that the council was to adopt. From August to October, the council met in each of the state's eight tourism regions and received testimony from tourism district leaders, the general public, state officials, and two tourism experts. Individuals were then appointed to present papers on transportation, destination management, marketing attractions, and other issues. From September to October, two subcommittees were appointed to research funding opportunities and organizational models for the new statewide system. That September, Rhode Island's largest newspaper, the *Providence Journal*, endorsed the findings and recommendations of the council.

In October, members of the council reached consensus on establishing a statewide system for tourism funding and promotion. The new system stressed accountability, new funding sources, and coordination of marketing for the entire state. The two external consultants provided independent analyses of the council's recommendations and concurred that this approach would be the most effective method of producing systemic change. The council adopted the recommendations by a unanimous vote (Rhode Island Tourism Development Council, 2003).

In November, the executive director of the Rhode Island Economic Development Corporation and special counselor to the governor received the recommendations and requested one amendment. He did not support consolidating the tourism regions and requested the report be amended to remove reference to consolidation. The council voted in favor of accepting the change and the report was forwarded to the governor for legislative action.

In January 2004, new legislation was prepared by the Rhode Island Economic Development Corporation to be introduced to the 2004 Rhode Island General Assembly for committee review and adoption.

The council proposed a hybrid means of tourism funding, based on two models: the Florida consensus model and the Missouri accountability model. In Rhode Island, it was proposed that the revenue based on the Missouri model would be evenly shared between the new organization based on the Florida model and the state general fund. It is estimated that this new hybrid model, when fully implemented by Rhode Island, would generate an additional $11 million funding tourism marketing the state.

Obstacles included the regional tourism districts' strong resistance to change. According to council chair, Joe Goldblatt (personal communication, January 2003), due to the small and limited job market in Rhode Island, many tourism officials were concerned that consolidation could result in job losses for themselves and their staff. The council did not anticipate the amount of pressure this would bring during its deliberations. A compromise was developed between the council and the local tourism organizations that would have resulted in greater statewide accountability and productivity, but the term "consolidation" was removed from the final recommendations sent to the governor. Goldblatt also related that there was also some unwillingness to examine the entire story. Only one reporter actually researched the various state models considered, while other journalists simply interviewed local citizens. In sum, despite the contentious issues, the state benefited from exploring national models that raised awareness of other state tourism funding mechanisms. Also, a hybrid approach demonstrates the possible adaptability of assessment and partnership models to other contexts and circumstances.

Analysis

In the case of CalTour, California industry leaders supported the program because they saw self-assessment as the fairest solution to the challenge of tourism funding, reasoning that all businesses benefiting from statewide tourism marketing should help finance it. They also realized that if the state's travel industry did not take control of financing and management of tourism marketing, state government might have eliminated the state tourism program or imposed a tax upon travel and tourism businesses to fund it. That could have resulted in excessive taxation with no guarantee that the money would be dedicated to tourism marketing.

The California Tourism Marketing Act of 1995 resulted in the establishment of a more stable funding source, which was then used to increase international marketing and expand tourism staff. Because of this law, California now has a unified voice for state tourism: travel-related businesses pay into the assessment fund, and in return assist in guiding and approving state tourism marketing and development plans.

The California model, emphasizing *equity*, evolved within a specific set of circumstances that may be applicable to many other tourism destinations. These circumstances included the probability of excessive taxation and the specter of program elimination. Mandatory tourism funding models are likely to be strategically defensive and emerge out of extreme political and economic conditions. Such models are likely to appear to leaders looking for a quick fix, and then gravitating over time toward less compulsory models.

In comparison, Visit Florida's success can be attributed to the fact that it is essentially industry driven and strives to obtain voluntary contributions from all parties in the tourism industry, large and small. Many different sectors are made to feel they are important to the development of Florida tourism and instrumental in their own success. However, there are obstacles that the partnership has overcome. For example, every region believes it has special needs that may not be met in Visit Florida's current marketing program. The challenge is especially evident when Visit Florida attempts to grant regional funds for tourism marketing. Visit Florida continues to aggressively seek growth and development through the cultivation of new partners and dedicated funding sources. A dedicated funding source should remain a primary goal because tourism organizations can be severely restricted in achieving growth and expansion without such monies.

In contrast to California, Florida's tourism funding model is built upon the notion of *consensus*, encouraging contributions from many different partners and organizations all working collaboratively to meet state matching requirements. Compensatory rather than defensive, such a model is likely to evolve in mature, yet fragmented, tourism economies where government contributions are inconsistent over time and across regions and sectors. The Florida consensus model receives widespread national and international interest because of its perceived inclusiveness and communication-building characteristics.

However, both California and Florida models are often criticized as not performance based. Organizations in both states may pay their mandatory assessments and voluntary fees, yet there is no direct link between these contributions, subsequent marketing efforts, and industry performance.

Supported by HB 188, the Missouri Division of Tourism has successfully delivered the message to citizens, politicians, and business leadership that tourism is a revenue producer for the state. Even in the face of major recession during the early 2000s, the funding mechanism has shown slow, steady results. Another message emphasized by the division includes a plea to not cut advertising, based on the impact accrued for every dollar entering Missouri from outside the state. However, there are some challenges to the funding mechanism. Because of term limits, many older legislators who passed HB 188 have retired, and the division must constantly reeducate new legislators. Future plans include examining the SIC codes used in the funding formula and finding new and perhaps more profitable codes. Yet legislators have resisted adjusting a program that has proven popular within the state and is seen as effective by tourism professionals.

In contrast with the California and Florida models, the Missouri model emphasizes performance-based *accountability*: there is an assumed correlation between the use of state tourism funds and increasing marketing dollars. Such a model is likely to evolve within emerging, cash-strapped tourism economies where some consensus already exists among partners and organizations. Although most tourism organizations champion the notion of public and political accountability, leaders of such organizations admit that destination success or failure depends upon several variables outside of their direct control.

The Rhode Island experience illustrates an attempt to achieve both consensus and accountability, drawing the best from both models. The state has a highly fragmented regional tourism industry that requires both better communication among partners, striving for better performance driven by consolidation and efficiency.

When these models are compared, it is important to note the level of grassroots support for each funding model. The models presented here each originated with proactive concerns of industry leaders over decreased or fluctuating tourism dollars. This environment is certainly applicable to most contemporary tourism destinations. However, while California experienced sharp decreases in government spending, leaders in both Florida and Missouri were more concerned with achieving long-term consistency in tourism funding. Sharp decreases may result in more draconian solutions aimed at achieving fairness, while Florida and Missouri models emerged from concerns from long-term funding consistency. While the evolution of the California model appears strategically defensive, the Florida and Missouri models appear more compensatory in nature.

All states demonstrated a high level of involvement of state tourism industry leaders during the development of funding models Certainly leadership should be considered as a prerequisite for the creation of any alternative funding model. However, the legal mechanism used to create the models themselves differed significantly. California sought a referendum with a mandatory assessment for all tourism enterprises. Conversely, Florida's governor-appointed tourism commission merely created a new marketing arm, Visit Florida. Finally, Missouri's alternative funding model was created by direct legislative action, HB 188.

All three states formed boards or commissions of industry leaders and government officials to steer the allocation or collection of tourism dollars. However, the power given to these boards or commissions also differ significant in terms of method of appointment or election. For other tourism destinations, it may be assumed that leadership and grassroots support may be more important than the actual legal or policy implementation route, which can be highly specific to the social, political, and economic environments in which the destination is located.

The models also differ on the level of government support. For California and Florida, tourism marketing is funded through some government allocations in the form of contributions or match. In California, approximately two thirds of marketing efforts are funded by mandatory assessments while the other one third is contributed from state funds. Florida matches government funds to industry contributions. In contrast, Missouri's tourism funding will be entirely tax generated. Missouri has utilized a sunset clause that stipulates decreasing state funds with increases contributions from the Tourism Supplemental Revenue Fund (TSRF). These models demonstrate that the role of government as a partner may also differ significantly from destination to destination.

Although applicable to many other tourism destinations, these models evolved functionally suited to their own particular environments. However, for these models strengths, there also are inherent weaknesses. For example, any organization model that emphasizes equity may in turn devalue the contributions and needs of one or two large tourism players that hold substantial influence over the future of the destination. Conversely, smaller players may hold the view that the larger contributors should pay more because their negative impacts are greater. If the organization stresses consensus, it may in turn be very difficult to act with efficiency and effectiveness in pursuit of democratic outcome. Such an organization may suffer incremental decision-making, appeasing no one. Finally, it is well known that any accountability model favoring economic rationality may ignore numerous other variables such as the value of positive public relations necessary for successful destination management. In an extreme example, a state's tourism may be seen merely as a loss leader to attract other industries perceived as more lucrative by state leaders. In addition, public goods associated with tourism such as intercultural exchanges would be left out of such models as narrowly conceived and implemented.

Conclusions

Given a continuing devolution of government support, perhaps more states will develop models based on those presented here, as well as come up with their own innovative solutions. Two contrasting models have emerged in response to the funding challenge: one emphasizing equity and other consensus. Florida's state tourism agency, Visit Florida, implemented a partnership based on voluntary fees. Conversely, the California Division of Tourism (CalTour) has opted for mandatory self-assessment. The Missouri Division of Tourism contributes yet a third alternative—funding directly accrued from visitor spending in tourism sectors, including food and beverage, lodging, and entertainment. In comparison with the other two models, this one emphasizes accountability. Increasingly, states like Rhode Island are looking to these models to create hybrid funding models, combining equity, consensus, and accountability. It is notable that these models emerged as result on some external shock such as change in political leadership or voter unfamiliarity with the tourism industry's economic benefits. In an era of economic uncertainty, it is probable that more creative models for tourism funding will emerge as lines between public, private, and nonprofit sectors continue to blur.

It is crucial that tourism researchers begin to explore this neglected area of study. They should be actively investigating funding alternatives at the local levels, as well. For example, innovative funding techniques employed by the San Francisco Convention and Visitors Bureau include trademark licensing and co-branding. Alabama's Robert Trent Jones Golf Trail was created with the financial support of that states teacher's retirement fund. Quantitative comparison of models would also be helpful to determine which have the highest economic impact per dollar spent. However, as the models discussed in this article evolved under distinct social and political situations, a qualitative approach involving leadership and public interviews is also suggested. Of course, as most tourism development will likely happen in Asia, Africa, and Latin America in the coming decades, examining tourism funding in those regions, where it could have very distinctive and different characteristics, is also worthwhile.

It seems fair to say that no matter where tourism funding is studied, nor what methodology used, academics may begin to understand the persistent budgetary pressures and constraints faced by most tourism organizations and perhaps produce research that will facilitate further productive partnerships between themselves and practitioners.

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